



(FORMERLY CADMAN RESOURCES INC.)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Expressed in Canadian Dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Matica Graphite Inc. (formerly Cadman Resources Inc.)

We have audited the accompanying financial statements of Matica Graphite Inc. which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained based on our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Matica Graphite Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(b) in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Matica Graphite Inc. to continue as a going concern.

Manning Elliott LLP

MATICA GRAPHITE INC. (FORMERLY CADMAN RESOURCES INC.)**STATEMENTS OF FINANCIAL POSITION****AS AT DECEMBER 31, 2013 AND 2012****(Expressed in Canadian Dollars)**

	Notes	2013	2012
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalent		157	142,874
GST/HST recoverable		7,479	9,189
Prepaid expenses		-	5,102
		7,636	157,165
DEPOSIT		2,000	-
EXPLORATION AND EVALUATION ASSETS	4	217,191	29,828
		226,827	186,993
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	10	228,533	103,584
Due to related parties	6	171,390	33,693
		399,923	137,277
FLOW-THROUGH SHARE PREMIUM	10	35,868	20,033
		435,791	157,310
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	5	2,089,574	1,418,514
Shares issued but not paid	5(b)	(24,000)	(18,000)
Contributed surplus		144,798	79,890
Deficit		(2,419,336)	(1,450,721)
		(208,964)	29,683
		226,827	186,993

NATURE OF BUSINESS AND CONTINUED OPERATIONS (Note 1 and 2(b))

CONTINGENCY (Note 10)

COMMITMENT (Note 4 and 11)

SUBSEQUENT EVENTS (Note 12)

APPROVED ON MAY 29, 2014 ON BEHALF OF THE BOARD:

/s/ "Monty Ritchings"

Mr. Monty Ritchings, Director

/s/ "Boris Ziger"

Mr. Boris Ziger, Director

The accompanying notes are an integral part of these financial statements.

MATICA GRAPHITE INC. (FORMERLY CADMAN RESOURCES INC.)**STATEMENTS OF COMPREHENSIVE LOSS****FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012****(Expressed in Canadian Dollars)**

	Notes	2013	2012
		\$	\$
GENERAL AND ADMINISTRATIVE EXPENSES			
Consulting	6	38,473	34,300
General exploration expense	4(c)	76,698	41,132
Management and directors' fees	6	187,000	55,500
Marketing	5(e)	68,044	12,615
Office and miscellaneous		12,716	18,933
Professional fees		49,975	118,153
Rent		29,705	26,843
Share-based compensation	5(e)	55,798	-
Transfer agent and filing fees		14,843	31,226
Travel and promotion		33,561	10,670
		566,813	(349,372)
OTHER INCOME (EXPENSES)			
Impairment of exploration and evaluation assets	4	(384,828)	(30,000)
Flow-through shares premium liabilities	10	365	-
Flow-through shares indemnification	10	(56,904)	-
Part XII taxes and interest related to flow-through shares	10	(15,435)	-
Interest and other income		-	907
Recovery (Impairment) of deposit	4(c)	55,000	(55,000)
NET LOSS AND COMPREHENSIVE LOSS		(968,615)	(433,465)
LOSS PER SHARE - BASIC AND DILUTED		(0.04)	(0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		23,015,587	11,307,404

The accompanying notes are an integral part of these financial statements.

MATICA GRAPHITE INC. (FORMERLY CADMAN RESOURCES INC.)**STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012****(Expressed in Canadian Dollars)**

		Common shares		Shares Issued but	Contributed		Shareholders' Equity
	Notes	Shares	Amount	Not Paid	Surplus	Deficit	(Deficiency)
			\$	\$	\$	\$	\$
Balance, December 31, 2011		12,484,500	1,184,485	-	78,148	(1,017,256)	245,377
Shares cancelled	5(c)	(1,400,000)	-	-	-	-	-
Shares issued for cash, net		4,373,333	249,062	(18,000)	1,742	-	232,804
Share issue for property		100,000	5,000	-	-	-	5,000
Premium liability on flow-through shares		-	(20,033)	-	-	-	(20,033)
Comprehensive loss		-	-	-	-	(433,465)	(433,465)
Balance, December 31, 2012		15,557,833	1,418,514	(18,000)	79,890	(1,450,721)	29,683
Subscriptions received		-	-	18,000	-	-	18,000
Warrants exercised	5(b)	724,285	50,700	-	-	-	50,700
Shares issued for properties	5(b)	15,000,000	515,000	-	-	-	515,000
Shares issued for settlement of debts	5(b)	1,326,000	66,300	-	-	-	66,300
Shares issued for cash, net	5(b)	840,000	55,260	(24,000)	-	-	31,260
Premium liability on flow-through shares		-	(16,200)	-	-	-	(16,200)
Share based compensation	5(e)	-	-	-	64,908	-	64,908
Comprehensive loss		-	-	-	-	(968,615)	(968,615)
Balance, December 31, 2013		33,448,118	2,089,574	(24,000)	144,798	(2,419,336)	(208,964)

The accompanying notes are an integral part of these financial statements.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012****(Expressed in Canadian Dollars)**

	Note	2013	2012
		\$	\$
OPERATING ACTIVITIES			
Net loss		(968,615)	(433,465)
Items not involving cash			
Flow-through share premium recovery	10	(365)	-
Impairment of exploration and evaluation assets	4	384,828	-
Recovery of impaired deposit	4(c)	(55,000)	-
Share-based compensation	5(e)	64,908	25,000
		(574,244)	(408,465)
Changes in non-cash working capital items:			
GST/HST recoverable		1,710	21,108
Prepaid expenses		3,102	(677)
Accounts payable and accrued liabilities		141,249	58,762
Cash Used in Operating Activities		(428,183)	(329,272)
INVESTING ACTIVITIES			
Investment in exploration and evaluation assets		(2,191)	(10,112)
Cash Used in Investing Activities		(2,191)	(10,112)
FINANCING ACTIVITIES			
Common shares issued, net		99,960	232,804
Increase in due to related parties		187,697	31,903
Cash Provided by Financing Activities		287,657	264,707
DECREASE IN CASH		(142,717)	(74,677)
CASH AND CASH EQUIVALENTS, BEGINNING		142,874	217,551
CASH AND CASH EQUIVALENTS, ENDING		157	142,874
NON-CASH TRANSACTIONS:			
Shares issued for exploration and evaluation assets	4	515,000	5,000
Shares issued for related parties loans settlement	5(b)	50,000	-
Shares issued for vendors loans settlement	5(b)	16,300	-
Agent warrants issued		-	1,742
Premium liability recorded on flow-through shares	5(b)	16,200	20,033
SUPPLEMENTAL INFORMATION:			
Interest paid		-	-
Income taxes paid		-	-

The accompanying notes are an integral part of these financial statements.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS AND CONTINUED OPERATIONS

Matica Graphite Inc. (formerly "Cadman Resources Inc.") ("the Company") was incorporated pursuant to the British Columbia Business Corporation Act on November 13, 2007 as a "Capital Pool Company" ("CPC") as defined in the policies of the TSX Venture Exchange (the "Exchange"). As the Company failed to complete a Qualifying Transaction within the prescribed time frame under the Exchange's policy, on December 23, 2010 the Company transferred the listing of the Company's shares to the NEX Board. On July 6, 2012, the Company delisted trading of its shares from the NEX Board and began trading on the Canadian Stock Exchange ("CSE"). The head office, principal address and records of the office of the Company are located at Suite 700, 350 Bay Street, Toronto, ON M5H 2S6, Canada.

On April 17, 2014, the Company changed its name to Matica Resources Inc. from Cadman Resources Inc. Effective April 21, 2014, the Company began trading under the new symbol GRF.

As of December 31, 2013, the Company is an exploration stage company that is engaged principally in the acquisition and exploration of its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

On May 12, 2014, the Company became subject to a management initiated management cease trade order (see Note 12).

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved and authorized for issuance by the Company's Board of Directors on May 30, 2014.

(b) Going concern

The Company had net loss of \$968,615 for the year ended December 31, 2013 and an accumulated deficit of \$2,419,336 which has been funded primarily by the issuance of equity. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from exploration and evaluation assets, obtaining additional financing or maintaining continued support from its shareholders and creditors. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3(h). All amounts are expressed in the Company's functional currency which is the Canadian dollars unless otherwise stated.

(b) Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

(c) Exploration and evaluation assets

(i) Acquisition of exploration and evaluation assets

The Company capitalizes the direct costs of acquiring mineral property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

From time to time, the Company acquires and disposes of mineral property interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs (recoveries) when payments are made or received until the original cost is recovered and after which subsequent recoveries are charged to profit or loss.

(ii) Exploration and evaluation costs

The Company capitalizes exploration and evaluation expenses at cost for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable.

All direct and indirect costs relating to the exploration of specific properties with the objective of locating, defining and delineating mineral reserves on specific properties are capitalized as exploration and evaluation assets. Government assistance, mining duty credits and optionee commitments are applied against exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefit either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions about future events or circumstances, in particular when an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Exploration and evaluation expenditures are evaluated annually and then reclassified as mineral properties upon completion of technical feasibility and commercial viability.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Reclamation and restoration

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period it is incurred with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. As at December 31, 2013, the Company did not have any reclamation and restoration obligations.

(e) Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

(f) 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 resources 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.

(g) Share issuance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value less directly attributable transaction costs and classified as either FVTPL or other financial liabilities.

Financial instruments comprise cash and cash equivalents, accounts payable and due to related parties. At initial recognition management has classified financial assets and liabilities as follows:

(i) Financial assets

The Company has classified its cash and cash equivalents as FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

(ii) Financial liabilities

The Company has classified its accounts payable and due to related parties as other financial liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(i) Share-based payments

The Company accounts for share-based payments awards granted to employees and consultants at the fair value of the equity instruments at grant date. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest, using the Black-Scholes option pricing model. The amount recognized as expense is adjusted to reflect the number of share options expected to vest at each reporting period.

(j) Flow through shares

The proceeds from offering of flow-through shares are allocated between the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the market value of the shares and the amount the investors pay for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in the results of operations in the period the eligible exploration expenditures occurred. Upon renunciation by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through shares premium liability will be reversed. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a recovery in profit or loss in the period of renunciation.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Current and deferred income taxes

Income tax expense comprises current and deferred tax and is recognized in operations except to the extent that it relates to business combinations, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for temporary differences in assets and liabilities arising in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, transactions relating to investments in jointly controlled entities to the extent that they will not reverse in the foreseeable future, and transactions arising on the initial recognition of goodwill. Deferred tax is recognized at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax assets is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive. The weighted average number of common shares outstanding is adjusted retrospectively for changes in capitalization such as share splits, reverse splits, or cancellations without consideration.

(m) Use of estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. 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 of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets and financial instruments, decommissioning liabilities, deferred income tax assets and liabilities, assumptions used in valuing options in share-based payment calculations, indemnification provision for flow-through shares and interest and penalties of flow-through shares. Actual results could 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.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Use of judgments

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

(i) Going concern (continued)

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 2.

(ii) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If information becomes available after expenditure is capitalized suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

(o) Adoption of new pronouncements

The Company adopted the following accounting policies effective January 1, 2013:

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 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 financial statements.

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 financial statements.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Adoption of new pronouncements (continued)

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 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, 2013.

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 financial statements.

IAS 28 – Investments in Associates and Joint Ventures As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. The adoption of this IFRS did not impact the Company's financial statements.

(p) New standard and interpretations not yet adopted

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, 2014:

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.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New standard and interpretations not yet adopted (continued)

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 cash generating unit ("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, 2014 and should be applied retrospectively.

IAS 39 Financial Instruments: Recognition and Measurement – In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

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 financial statements of the Company has not been determined.

4. EXPLORATION AND EVALUATION ASSETS

	Gaspe Copper, Quebec	Golden Star Block, Ontario	Maniwaki West, Quebec	Buckingham North, Quebec	Songea District, Tanzania	Total
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2011	-	-	-	-	-	-
Acquisition costs	11,050	30,000	-	-	-	41,050
Exploration costs:						
Geological & engineering	18,000	-	-	-	-	18,000
Travel & others	778	-	-	-	-	778
Impairment	-	(30,000)	-	-	-	(30,000)
Balance, December 31, 2012	29,828	-	-	-	-	29,828
Acquisition costs	-	-	80,000	135,000	355,000	570,000
Exploration costs:						
Geological & engineering	-	-	-	2,191	-	2,191
Impairment	(29,828)	-	-	-	(355,000)	(384,828)
Balance, December 31, 2013	-	-	80,000	137,191	-	217,191

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Gaspé copper, Quebec

On November 9, 2012, the Company entered into an option agreement to acquire 100 percent interest in the copper project located in Gaspé Peninsula in the Province of Quebec. The Gaspé copper property comprises 56 permits totalling 3,192 hectares. As consideration the Company agreed to pay cash of \$30,000, issue 1,100,000 common shares and incur \$300,000 exploration expenditures as follows:

	Cash Payment	Share Issuance	Exploration Expenditures
	\$		\$
Before October 15, 2012 (paid)	5,000	-	-
Before October 31, 2012 (issued)	-	100,000 ^a	-
On or before June 1, 2013	-	-	100,000 ^b
On or before December 31, 2013	25,000	1,000,000 ^a	200,000
Total	30,000	1,100,000	300,000

- a. Shares (4 months hold period) to be issued within a delay of five (5) business days following the receipt of the required regulatory approvals.
- b. Of which an amount shall be incurred on the permits at the latest six (6) months before the expiry date of the permits.

The property is subject to a 2% net smelter return ("NSR"). The Company has the right, at any time and at its sole discretion, to purchase one of the two percentage points of the NSR on the property by paying to the optionor the sum of \$1,000,000.

During the year ended December 31, 2013, none of the cash payment of \$25,000, issuance of 1,000,000 common shares or exploration expenditures of \$300,000 was incurred. Management has determined not to pursue any further exploration in the property. Consequently, the deferred acquisition and exploration costs incurred in this property in the amount of \$29,828 were fully written off as impairment expenses to net loss in 2013.

(b) Golden Star Block, Ontario

On March 6, 2012 and amended on May 28, 2012, the Company entered into an option agreement to acquire a 55% undivided interest in 2 blocks of mining claims, leases and patents, known as the Golden Star Block and the Baseline/Nugget Block, that are located in Northwestern Ontario. The Company can acquire the interest by paying \$275,000 in cash, issuing 960,000 common shares of the Company and incurring \$600,000 exploration expenditures on the properties within two years as follows:

	Cash Payments	Share Issuance	Exploration Expenditures
	\$		\$
30 days after July 6, 2012 (paid)	25,000	-	-
5 days after July 6, 2012	-	960,000	-
3 months after July 6, 2012 (paid \$5,000)	100,000	-	-
12 months after July 6, 2012	150,000	-	250,000
24 months after July 6, 2012	-	-	350,000
	275,000	960,000	600,000

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

(b) Golden Star Block, Ontario (continued)

The property is subject to a 2% NSR. The Company may purchase one half of each of the NSR at any time for \$500,000.

The Company made deposit of \$25,000 in 2011 and made \$5,000 payment in 2012 on the property. The Company did not issue the 960,000 common shares as required in the option agreement. Management has determined not to pursue any further exploration in the property. Consequently, the \$30,000 deferred acquisition cost balance was charged as impairment expenses to net loss in 2012.

(c) Mbozi Copper and Songea District, Tanzania

On July 10, 2012 the Company entered into a letter of intent with Shenba Resources Holdings Limited ("Shenba") Limited to acquire a 65% interest in the Mbozi Copper project located in the United Republic of Tanzania. A \$55,000 deposit was paid to Shenba in 2012. The letter of intent was terminated on March 12, 2013 and the \$55,000 deposit was recorded as impairment expense in 2012.

On May 27, 2013, the Company entered into an option purchase agreement with Shenba and Tung Wing Trading Company Limited ("Tung Wing") to acquire a 75% interest in two prospecting licences for two mineral properties in the Songea District of the Republic of Tanzania through the acquisition of 75% of the outstanding shares of Tung Wing, a Tanzania registered company that holds the two prospecting licences. As consideration for the option, the Company agreed to pay US\$100,000 and issue 10,000,000 common shares of the Company to Shenba. On fulfillment of the option obligations, the Company may exercise the option to acquire the 75% interest of the prospecting licences by an additional payment of US\$120,000 to Tung Wing within 6 months of signing of a final agreement, and agrees to provide 100% financing to Tung Wing for any future property acquisitions, exploration to production costs and operating costs as required by the Tanzanian Ministry of Commerce.

On June 12, 2013, the Company issued to Shenba 10,000,000 common shares at a fair value of \$300,000. Shenba agreed to apply the \$55,000 deposit previously paid to Shenba in 2012 for the Mbozi Copper project to the US\$100,000 option payment obligation. As a result, the Company recorded a recovery of impaired deposit of \$55,000 in 2013.

During the period from January 1, 2013 to May 27, 2013, the Company paid \$76,698 to Tung Wing as partial payments of the US\$120,000 payment requirement in exercising the option to acquire the 75% interest in the prospecting licences. These were pre-acquisition payments made prior to the effective date of the option agreement and were expensed as general exploration expense in 2013.

For the year ended December 31, 2013, management determined not to pursue the project and recorded impairment expenses of \$355,000 to net loss.

A director of Shenba who owns 15% equity interest in Shenba is related to an officer of the Company who was appointed Chief Financial Officer of the Company on March 7, 2013.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

(d) Maniwaki West Property, Quebec

On July 26, 2013, the Company entered into an option agreement with JP & Associates Inc. to acquire 100 percent interest in the rare earth project (the "REE project") located north of Ottawa/Gatineau near the town of Maniwaki in the Province of Quebec. The Maniwaki West property is comprised of 24 permits totalling 14.23 km². To exercise the option and earn 100 percent interest in the Maniwaki West property, the company is required to issue 2,000,000 common shares of the Company upon signing of the option agreement and to make a cash payment of \$10,000 (not paid).

On August 13, 2013, the Company issued 2,000,000 common shares at a fair value of \$80,000.

(e) Buckingham North Property

On September 20, 2013, the Company entered into an option agreement with JP & Associates Inc. and Alexander Johnston to acquire 100 percent interest in the graphite project located east of Ottawa/Gatineau. The Buckingham North property (the "Property") is comprised of 18 permits totalling 10.89 km². To exercise the option and earn 100 percent interest in the property, the company is required to issue 3,000,000 common shares of the Company upon signing of the option agreement and pay \$5,000 on or before November 15, 2013 (not paid).

On November 5, 2013, the Company issued 3,000,000 common shares at a fair value of \$135,000.

On November 12, 2013, the Company entered into an option agreement with JP & Associates Inc. to acquire additional property adjacent to its Buckingham North graphite project in the Ottawa valley, western Quebec. This property is comprised of 4 permits totaling 2.4 km². To exercise the option and earn 100 percent interest in the Property, the Company is required to issue 1,000,000 common shares of the Company (see Note 12) upon signing of the option agreement and to make cash payment of \$5,000 on or before December 31, 2013 (not paid).

5. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued and outstanding

On August 9, 2012, the Company closed a non-brokered private placement of 280,000 units at a price of \$0.15 per unit for gross proceeds of \$42,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.20 per share for a period of 18 months. The Company incurred cash commission of \$3,360 and granted 8,000 common share purchase warrants as finders' fees. The Company recorded \$259 in non-cash issue costs related to the 8,000 warrants. These warrants have the same term and exercise price as the private placement warrants. No value was allocated to the half-warrants as they had no intrinsic value on the date the units were issued.

On November 19, 2012, pursuant to the option agreement for the Gaspé copper property, the Company issued 100,000 common shares at fair value of \$50,000 (see Note 4(a)).

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

On December 22, 2012, the Company closed a non-brokered private placement of 2,003,333 flow-through units at a price of \$0.06 per unit for gross proceeds of \$120,200. Each unit consisted of one flow through common share and one non-flow through common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.09 per share for a two year term. The consideration received was all allocated to the common shares and no value was allocated to the warrants. In connection with the flow-through share issuance, the Company recorded a \$20,033 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. The Company incurred cash commission of \$8,176 and granted 136,226 common share purchase warrants as finders' fees. The Company recorded \$1,483 in non-cash share issue costs related to the 136,226 warrants. These warrants have the same term and exercise price as the private placement warrants.

On December 28, 2012, the Company closed a non-brokered private placement of 2,090,000 units at a price of \$0.05 per unit for gross proceeds of \$104,500. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.07 per share for a two year term. The Company incurred a cash commission of \$4,360.

On June 12, 2013, pursuant to the Tung Wing option purchase agreement, the Company issued 10,000,000 common shares at fair value of \$300,000 to Shenba (see Note 4(c)).

On August 13, 2013, pursuant to the Maniwaki West property agreement, the Company issued 2,000,000 common shares at fair value of \$80,000 (see Note 4(d)).

On November 5, 2013, pursuant to the Buckingham North property agreement, the Company issued 3,000,000 common shares at fair value of \$135,000 (see Note 4(e)).

On December 10, 2013, the Company closed a non-brokered private placement of 540,000 flow-through units at a price of \$0.08 per unit for gross proceeds of \$43,200. Each unit consisted of one flow through common share and one flow through common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.11 per share for a period of eighteen months. The consideration received for was all allocated to the common shares and no value was allocated to the warrants. In connection with the flow-through share issuance, the Company recorded a \$16,200 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. The Company incurred a cash commission of \$1,500. At December 31, 2013, \$24,000 of the gross proceeds was not received until subsequent to year end.

On December 10, 2013, the Company closed a non-brokered private placement of 1,626,000 units at a price of \$0.05 per unit for gross proceeds of \$81,300. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.07 per share for a period of eighteen month. The consideration received was all allocated to the common shares and no value was allocated to the warrants. Of the 1,626,000 units, 1,326,000 units were issued for settlement of \$50,000 owed to related parties and \$16,300 owed to vendors, totalling \$66,300. The Company incurred a cash commission of \$1,440.

During the year ended December 31, 2013, 724,285 common shares were issued for \$50,700 on exercise of warrants at a price of \$0.07 per share.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

(c) Escrowed shares

On July 3, 2012, as a requirement of delisting from the NEX Board, the Company cancelled 1,400,000 escrowed common shares. As at December 31, 2013, the Company has no escrowed shares. The weighted average number of common shares used in the loss per share calculation has been adjusted retrospectively for year ended December 31, 2012, due to the cancellation of the escrow shares without a corresponding change in resources.

(d) Share purchase warrants

On April 10, 2013, the Company issued 724,285 shares on the exercise of warrants.

A summary of the changes in the Company's warrants as at December 31, 2013 and 2012 is presented below:

	Number of warrant	Weighted average exercise price
		\$
Balance, December 31, 2011	-	-
Issued	4,377,599	0.08
Balance, December 31, 2012	4,377,599	0.08
Issued	2,166,000	0.08
Exercised	(724,285)	0.07
Balance, December 31, 2013	5,819,314	0.08

The following table summarizes the share purchase warrants outstanding and exercisable as at December 31, 2013:

Exercise price	Expiry date	Number of warrants
\$ 0.20	1/5/2014	8,000
\$ 0.20	2/20/2014	140,000
\$ 0.09	12/28/2014	2,003,333
\$ 0.07	12/28/2014	1,365,715
\$ 0.09	12/28/2014	136,266
\$ 0.11	6/10/2016	540,000
\$ 0.07	6/10/2016	1,626,000
		5,819,314

As at December 31, 2013, 5,819,314 warrants with a weighted average remaining contractual life of 1.51 years were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each warrant held.

The followings assumptions were used for the Black-Scholes option pricing model calculation resulting in the following estimated issue date values for the finders warrants issued in 2012:

	2012
Share price	\$0.06
Risk free interest rate	1.13%
Expected life	1.97 years
Expected volatility	70%
Expected dividend yield	0.0%

The weighted average issue date fair value of finder's warrants was \$0.01.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

5. SHARE CAPITAL (Continued)

(e) Stock options

The Company has an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, the exercise price of an option shall not be less than the discounted market price at the time of granting, or as permitted by the policies of the Exchange, subject to a minimum of \$0.10 per common share. Options granted are non-transferable and may not exceed a term of five years from the grant date. Vesting is as determined by the directors at the time of grant.

	Number of Options	Weighted Average Exercise Price
		\$
Balance, December 31, 2011 and 2012	280,000	0.10
Options granted	1,425,000	0.10
Options expired	(280,000)	0.10
Options forfeited	(375,000)	0.10
Balance, December 31, 2013	1,050,000	0.10

On January 8, 2013, 280,000 outstanding options expired unexercised.

On March 6, 2013, the Company granted 1,425,000 new options to directors, officers, consultants and a vendor. The total fair value of these options was \$64,908, of which \$9,110 was recorded in marketing expense and \$55,798 as share-based compensation.

As at December 31, 2013, 1,050,000 options with a weighted average remaining contractual life of 4.18 year were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each option held.

For purposes of the calculation, the following weighted average assumptions were used under the Black-Scholes model:

	2013
Share price	\$0.06
Risk free interest rate	1.43%
Expected dividend yield	0%
Expected stock price volatility	116%
Expected life of options	5 years

The weighted average grant date fair value of stock options was \$0.05.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS

The following is a summary of transactions with directors and officers, and companies controlled by directors of the Company:

Due to related parties included payables to directors in the amount of \$25,205 (2012 - \$6,720) and payables to officers in the amount of \$146,185 (2012 - \$26,973). These amounts are unsecured and non-interest bearing.

During the year ended December 31, 2013, the Company issued 1,000,000 units at \$0.05 per unit to various officers for settlement of \$50,000 owed to them (see Note 5(b)).

Key Management Compensation

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the years ended December 31, 2013 and 2012. Short-term key management compensation consists of the following for the years ended December 31, 2013 and 2012:

	2013	2012
	\$	\$
Director fees, paid to a Company with a common director	24,000	6,000
Management fees, paid to officers and directors	163,000	49,500
Consulting fees, paid to a Company with a common director	-	2,100
Consulting fees, paid to an officer	4,500	-
Share-based compensation to officers and directors	55,798	-
Total key management compensation	247,298	57,600

7. MANAGEMENT OF CAPITAL

The Company's objective for capital management is to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The Company seeks to manage capital to provide adequate funding for its projects while minimizing dilution for its existing shareholders. As the Company has no practical ability presently to raise money by long term or other debt, for practical purposes all of its capital management is directed towards management of its equity, warrant and option issuances. There is thus very limited flexibility in its capital management.

8. FINANCIAL INSTRUMENTS AND RISK

Classification

Financial instruments are classified into one of five categories: fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and accounting for changes in the values of these investments will depend on their initial classification as follows: FVTPL financial assets are measured at fair value with changes in fair value recognized in operations. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the change in value is realized or the instrument is derecognized or permanently impaired.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

8. FINANCIAL INSTRUMENTS AND RISK (continued)

Classification (continued)

The Company has classified its cash and cash equivalents as FVTPL. Accounts payable and due to related parties are classified as other financial liabilities.

The following table summarizes the carrying values of the Company's financial instruments:

	2013	2012
	\$	\$
FVTPL (i)	157	142,874
Other financial liabilities (ii)	324,643	137,277

- (i) Cash and cash equivalents
- (ii) Accounts payable and due to related parties

Fair value

As at December 31, 2013, the Company's financial instruments consist of cash and cash equivalents, accounts payable and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

IFRS 7 "Financial Instruments – Disclosures", requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS 7 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial instruments measured at fair value on a recurring basis at December 31, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalent	157	-	-	157

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with a financial institution.

Liquidity risk

The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed Commercial Paper or similar instruments.

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

8. FINANCIAL INSTRUMENTS AND RISK (continued)

Foreign exchange risk

The Company does not have any foreign exchange risk as all of its transactions are in Canadian dollars.

Interest rate risk

The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions.

9. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2013	2012
Combined statutory tax rate	25.8%	25.0%
	\$	\$
Income tax recovery at combined statutory rate	249,425	108,366
Non-deductible items	(16,915)	-
Change in tax rates	14,579	-
Amounts not recognized	(247,089)	(108,366)
Deferred income tax recovery	-	-

At December 31, 2013, the amount of deductible temporary differences for which no deferred tax asset is recognized in the statements of financial position is as follows:

	2013		2012	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	\$	\$	\$	\$
Non-capital losses	1,832,000	476,000	1,233,000	308,000
Loans receivables	37,000	10,000	37,000	9,000
Mineral properties	588,000	153,000	269,000	67,000
Share issue costs	38,000	10,000	67,000	17,000
	2,495,000	649,000	1,606,000	401,000

As at December 31, 2013, the Company had non-capital losses carried forward of approximately \$1,832,000 (2012 - \$1,233,000) which may be applied to reduce future years' taxable income, expiring as follows:

	\$
2027	2,000
2028	100,000
2029	181,000
2030	222,000
2031	365,000
2032	492,000
2033	470,000
	<u>1,832,000</u>

MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

9. INCOME TAXES (continued)

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

10. CONTINGENCY

On December 22, 2012, the Company closed a non-brokered private placement of 2,003,333 flow-through units at a price of \$0.06 per unit for gross proceeds of \$120,200. The fair value of the flow-through shares was \$0.05 per share. The Company was committed to incur on or before December 31, 2013 a total of \$120,200 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada. As at December 31, 2013, the Company had unfulfilled CEE obligations of \$118,009. As the Company did not fulfill the expenditure obligation, the Company accrued an amount of \$15,435 related to Part XII.6 tax and related penalties and interests on the unfulfilled commitments. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment. An estimated amount totaling \$56,904 was accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount of actual claims and penalties, if any, is contingent on assessments of Canada Revenue Agency ("CRA").

During the year ended December 31, 2013, the Company had incurred qualifying CEE of \$2,191 and recognized \$365 as premium on flow-through shares liabilities in comprehensive loss for the tax deduction passed on to the flow-through shareholders under the renouncement filed in December 2012.

11. COMMITMENT

On April 12, 2013, the Company entered into an office lease agreement for the period May 2013 to April 2015, for monthly lease payments of \$1,100 per month.

12. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2013, 148,000 outstanding share purchase warrants expired unexercised.

On January 4, 2014, the Company entered into a Letter of Intent ("LOI") to acquire 100% of new graphite project in North West Nevada known as the Grumpy Lizard property which is comprised of 56 claims. The LOI expired on April 30, 2014. The Company paid \$5,000 in March 2014 related to this LOI.

On March 28, 2014, the Company issued 1,000,000 common shares for the Buckingham North Property (see Note 4(e)).

On May 5, 2014, the Company entered into a property option and royalty agreement with Galaxy Graphite Corp. to acquire certain mineral claims in Buckingham, Quebec for 300,000 common shares of the Company.

MATICA GRAPHITE INC. (FORMERLY “CADMAN RESOURCES INC.”)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)

12. SUBSEQUENT EVENTS (continued)

On April 17, 2014, the Company changed its name from Cadman Resources Inc. to Matica Graphite Inc.

On May 1, 2014, the Company's management initiated a management cease trade order for not being able to timely file its December 31, 2013 audited financial statements. On May 12, 2014, the Ontario Securities Commission issued a temporary management cease trade order, and on May 13, 2014, the British Columbia Securities Commission issued a management temporary cease trade order affecting the Company's stock.