MATICA ENTERPRISES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE TO READER

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

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

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

MATICA ENTERPRISES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	March 31, 2017	December 31, 2016
			(Audited)
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	9	**387,416**	47,154
Marketable securities	4	**-**	94,000
Accounts receivable		**17,289**	19,240
Prepaid expenses	7	**51,405**	17,388
Total current assets		**456,110**	177,782
EXPLORATION AND EVALUATION ASSETS	5	**50,000**	-
TOTAL ASSETS		**506,110**	177,782
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**69,384**	124,161
Note payable	11(b)	**-**	10,000
Due to related parties	7	**19,840**	20,056
Flow-through renounciation obligations	10	**145,152**	145,152
Total current liabilities		**234,376**	299,369
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	6	**8,027,453**	7,460,260
Contributed surplus		**370,324**	294,417
Deficit		**(8,126,043)**	(7,876,264)
Total shareholders' equity (deficiency)		**271,734**	(121,587)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**506,110**	177,782

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 10 and 11)
SUBSEQUENT EVENTS (Note 13)

APPROVED ON BEHALF OF THE BOARD ON MAY 19, 2017:

/s/ "George A. Brown"
George A. Brown, Director

/s/ "Boris Ziger"
Boris Ziger, Director

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

MATICA ENTERPRISES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	2017	2016
		$	$
GENERAL AND ADMINISTRATIVE EXPENSES			
Management and directors' fees	7	**34,500**	28,500
Marketing		**(32,685)**	27,001
Office and miscellaneous		**5,782**	7,233
Professional fees		**12,500**	23,523
Rent	11	**12,615**	13,502
Share-based compensation	6(d), 7	**233,600**	91,600
Transfer agent and filing fees		**5,506**	3,843
Travel and promotion		**5,252**	1,000
Total general and administrative expenses		**277,070**	196,202
OTHER INCOME (EXPENSES)			
Realized gain on marketable securities	4	**27,600**	-
(Loss) on settlement of debt		**(309)**	(20,000)
Total other income (expenses)		**27,291**	(20,000)
NET LOSS AND COMPREHENSIVE LOSS		**(249,779)**	(216,202)
LOSS PER SHARE - BASIC AND DILUTED		**(0.00)**	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		**140,998,129**	102,139,529

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

MATICA ENTERPRISES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	Common shares Shares	Common shares Amount	Treasury Units	Shares Subscriptions Received	Contributed Surplus	Deficit	Shareholders' Equity (Deficiency)
			$	$	$	$	$	$
Balance, December 31, 2015		98,345,024	6,664,368	(80,000)	-	293,163	(7,087,246)	(209,715)
Options exercised	6(b)	400,000	14,660	-	-	(6,660)	-	8,000
Shares issued for properties	6(b)	8,500,000	255,000	-	-	-	-	255,000
Units and shares issued for services and settlement of debts	6(b)	2,250,000	47,500	-	-	-	-	47,500
Share-based compensation	6(d)	-	-	-	-	91,600	-	91,600
Net loss		-	-	-	-	-	(216,202)	(216,202)
Balance, March 31, 2016		109,495,024	6,981,528	(80,000)	-	378,103	(7,303,448)	(23,817)
Balance, December 31, 2016		139,241,691	7,460,260	-	-	294,417	(7,876,264)	(121,587)
Options exercised	6(b)	11,100,000	467,193	-	-	(157,693)	-	309,500
Warrants exercised	6(d)	500,000	25,000	-	-	-	-	25,000
Units and shares issued for services and settlement of debts	6(b)	4,800,000	75,000	-	-	-	-	75,000
Share-based compensation	6(d)	-	-	-	-	233,600	-	233,600
Net loss		-	-	-	-	-	(249,779)	(249,779)
Balance, March 31, 2017		155,641,691	8,027,453	-	-	370,324	(8,126,043)	271,734

MATICA ENTERPRISES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(Unaudited)
(Expressed in Canadian Dollars)

	Note	2017	2016
		$	$
OPERATING ACTIVITIES			
Net loss		**(249,779)**	(216,202)
Items not involving cash			
Realized gain on marketable securities		**(27,600)**	-
Loss on settlement of debt		**309**	-
Share-based compensation		**233,600**	91,600
Units and shares issued for services		**75,000**	47,500
		31,530	(77,102)
Changes in non-cash working capital items:			
Accounts receivable		**1,951**	(6,037)
Prepaid expenses		**(34,017)**	(5,303)
Accounts payable and accrued liabilities		**(55,086)**	38,731
Cash Used in Operating Activities		**(55,622)**	(49,711)
INVESTING ACTIVITIES			
Investment in exploration and evaluation assets		**(50,000)**	(23,244)
Sale of marketable securities		**121,600**	-
Cash Provided by Investing Activities		**71,600**	(23,244)
FINANCING ACTIVITIES			
Exercise of options		**309,500**	8,000
Exercise of warrants		**25,000**	-
Due to related parties		**(216)**	(1,953)
Repayment of note payable		**(10,000)**	-
Cash Provided by Financing Activities		**324,284**	6,047
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**340,262**	(66,908)
CASH AND CASH EQUIVALENTS, BEGINNING		**47,154**	94,975
CASH AND CASH EQUIVALENTS, ENDING		**387,416**	28,067
NON-CASH TRANSACTIONS:			
Shares issued for exploration and evaluation assets	5(a)	**-**	255,000
Shares issued for related parties debt settlement	6, 7	**69,000**	-
Shares issued for vendors debt settlement	6	**6,000**	47,500
SUPPLEMENTAL INFORMATION:			
Interest paid		**-**	-
Income taxes paid		**-**	-

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

1. NATURE OF BUSINESS AND GOING CONCERN

Matica Enterprises Inc. ("Matica" or the "Company") was incorporated pursuant to the British Columbia Business Corporation Act in November 2007 under the name of Cadman Resources Inc., a capital pool Company as defined in the policies of the TSX Venture Exchange (the "Exchange"). In December 2010 the Company was transferred to the NEX Board. In July 2012, the Company listed on the Canadian Stock Exchange ("CSE") and voluntarily delisted from the NEX Board.

In April 2014, the Company changed name to Matica Graphite Inc. and traded under the symbol GRF. In July 2014, the Company changed name to Matica Enterprises Inc. and the Company's shares were also accepted for trading on the Frankfurt Stock Exchange. The Company completed a change of business with a primary focus in the medical marijuana industry in 2014 and in November 2014 the shares resumed trading on the CSE under the new symbol MMJ.

The executive offices of the Company are at 1102 - 44 Victoria Street, Toronto, ON M5C 1Y2, Canada.

The Company continues to hold mineral exploration property interests. The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable minerals, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying value.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, social licensing requirements, and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political and social uncertainty.

The Company has a net loss of $249,779 for the three months ended March 31, 2017 (2016 - $216,202), an accumulated deficit of $8,126,043 (December 31, 2016 - $7,876,264), and working capital of $221,734 (December 31, 2016 – deficiency of $121,587) which has been funded primarily by the issuance of equity. The Company does not generate cash flows from operations and accordingly the Company will need to raise additional funds through future issuance of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will ever attain a profitable level of operations.

The Company's ability to continue as a going concern is uncertain and is dependent upon developing resources from exploration and evaluation assets, obtaining additional financing, or maintaining continued support from its shareholders and creditors. The outcome of these matters cannot be predicted at this time and in the event that they do not occur, the carrying value of the Company's assets may be adversely affected. These factors reflect material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

These unaudited condensed consolidated interim 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 condensed consolidated interim 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. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim 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 condensed consolidated interim financial statements were approved and authorized for issuance by the Company's Board of Directors on May 19, 2017.

(b) Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified for specific financial instruments carried at fair value where applicable. The consolidated financial statements are presented in Canadian dollars.

(c) Consolidation

These condensed consolidated interim financial statements for the three months ended March 31, 2017 and 2016 include the accounts of Matica, its 100% wholly owned subsidiaries Ravenline Exploration Ltd. ("Ravenline"); Nevada subsidiary Ravenline USA Ltd. ("Ravenline USA"); 1022607 B.C. Ltd.; 1022608 B.C. Ltd.; and 1024250 B.C. Ltd. The Company holds mineral claims to Nevada properties through Ravenline USA.

These three numbered subsidiaries are inactive and incurred no transactions for the three months ended March 31, 2017 and 2016.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). They do not include all of the information required for full IFRS annual financial statements.

Please refer to the December 31, 2016 audited financial statements and accompanying notes for a description of the significant accounting policies used by the Company. The policies set out in the Company's December 31, 2016 financial statements were consistently applied to all periods presented unless otherwise noted below. These condensed consolidated interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2016.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of March 31, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended December 31, 2017 could result in restatement of these interim consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

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, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Impairment
The carrying value of non-financial assets is reviewed each reporting period upon the occurrence of events or changes in circumstances indicating that the carrying value of assets may not be recoverable and when criteria of assets held for sale are met to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) ("CGUs") for purposes of testing goodwill, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

Title to Mineral Properties
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Decommissioning Liabilities
The Company's provision for decommissioning liabilities represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of a mine's life. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Share-Based Payments
Management uses valuation techniques in estimating the fair value of share options granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies
The Company estimates the amount of contingencies due to the non-compliance of the expenditure obligation on the flow-through shares issued. Consequently, the Company is subject to the interest and penalties from Canada Revenue Agency. In addition, the Company estimates the costs of indemnification from flow-through share subscribers for taxes and penalties that may arise from their personal tax returns as a result of the Company not meeting its renounciation obligations.

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

Income, Value Added, Withholding and Other Taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Going Concern
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 1.

(b) Adoption of new pronouncements

The Company adopted the following accounting policies effective January 1, 2016:

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. The amendments are effective for annual periods beginning on or after January 1, 2016.

The adoption of the above new amendments did not have a significant impact on the Company's consolidated financial statements.

(c) New standards 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following standards will be effective for annual periods beginning on or after January 1, 2017:

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2018 with early adoption permitted.

IFRS 10 *Consolidated Financial Statements ("IFRS 10")* and IAS 28 *Investments in Associates and Joint Ventures* ("IAS 28") - IFRS 10 and IAS 28 were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

IFRS 16 - Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 - Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

In July 2016, the Company received 4,700,000 common shares of Spearmint Resources Inc. valued at $188,000 based on a quoted market price of $0.04 per share for the sale of the Clayton Valley properties (see Note 5(a)).

The Company classifies its marketable securities in public companies as FVTPL which are reported at the fair market value based on bid prices with unrealized gains or losses included in earnings. At December 31, 2016, the marketable securities were valued at $94,000. During the three months ended March 31, 2017, the Company sold the 4,700,000 common shares of Spearmint Resources Inc. for proceeds of $121,600 net of commissions and realized a gain of $27,600.

5. EXPLORATION AND EVALUATION ASSETS

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	Clayton Valley, Nevada	Grumpy Lizard, Nevada	Buckingham North, Quebec	RoyalMax, Quebec	Total
	$	$	$	$	$
Balance, December 31, 2015	-	36,733	-	-	36,733
Acquisition costs	278,888	2,225	10,000	-	291,113
Exploration costs					
Geological & engineering	772	-	-	-	772
Property option payments	(15,000)	-	-	-	(15,000)
Shares received on sale	(188,000)	-	-	-	(188,000)
Impairment	(76,660)	(38,958)	(10,000)	-	(125,618)
Balance, December 31, 2016	-	-	-	-	-
Acquisition costs	-	-	-	50,000	50,000
Balance, March 31, 2017	-	-	-	50,000	50,000

(a) Clayton Valley, Nevada

In October 2015, the Company entered into an agreement to purchase the Clayton Valley lithium project. The Company received a 100% interest for the issue of 6,000,000 common shares (issued at a fair value of $240,000) and a payment of $15,000 (paid). The Company recorded an impairment of $255,000 as at December 31, 2015 since the Company had no future exploration plans for the property.

In February 2016, the Company acquired a second lithium property in the Clayton Valley, Nevada. The McGee claims were acquired for $23,888 (US$17,500) due on signing (paid), US$30,000 due within 12 months (the property was sold prior to the US$30,000 becoming due), and 8,500,000 common shares issued at a fair value of $255,000 at the time of issue. The property was subject to a 3.75% net smelter return ("NSR").

In July 2016, the Company agreed to sell the two Clayton Valley properties to Spearmint Resources Inc. ("Spearmint") for 4,700,000 common shares of Spearmint issued in July 2016. As a result of the disposal, the Company wrote off the remaining carrying value of the property. The Company continues to hold a 2% NSR on one of the two properties. Spearmint may purchase half of the 2% NSR for US$500,000.

5, EXPLORATION AND EVALUATION ASSETS (continued)

(b) Grumpy Lizard, Nevada

In September 2014, the Company entered into a property option and royalty agreement to acquire a 100% interest in the Grumpy Lizard property in Nevada. As consideration, the Company paid $57,291 and issued 3,400,000 common shares with a fair value of $272,000. The property was subject to a 2.5% NSR based on any and all materials sold from the property. These claims were not renewed and $352,694 was written off as an impairment expense in 2015.

During 2015, the Company filed additional claims as an extension to the Grumpy Lizard project. The Company incurred 2015 staking costs of $10,057 (US$8,298), 2015 exploration and evaluation expenses of $26,676 and 2016 renewal costs of $2,225 (US$1,550). The balance of the acquisition and exploration costs of $38,958 were recorded as an impairment at December 31, 2016 as the Company has not established any follow up exploration plans for the property.

(c) Buckingham North Property

In September 2013, the Company entered into an option agreement with a company and an individual to acquire a 100% interest in the Buckingham North property, a graphite project located east of Ottawa/Gatineau.

In November 2013, the Company entered into another option agreement with the same company as the Buckingham North property above, to acquire a 100% interest in a property, adjacent to the Buckingham North property, located in the Ottawa valley, Quebec.

During 2015, these claims expired and the $187,621 of deferred acquisition costs incurred were written off as an impairment expense. During 2016, the $10,000 of outstanding acquisition cost due to the property vendors under the property agreements was recorded as due and also written off as an impairment expense.

(d) RoyalMax, Quebec

In March 2017, the Company signed a letter of intent (“LOI”) with RoyalMax Biotechnologies Canada Inc., an applicant under the Access to Cannabis for Medical Purposes Regulation (“ACMPR”). Pursuant to the agreement, the $50,000 due on signing the LOI was paid and an additional $135,000 is due on signing a definitive agreement (see Note 13(c)). The Company will be required to issue 6,000,000 common shares upon receipt of all due diligence disclosure materials. The Company can earn a 65% interest for funding a cumulative $2,200,000 for the build out of the facility. The Company can receive an additional 5% interest for making a payment of $400,000 within 30 days of notification of licensing by Health Canada. A final payment of $400,000 will become due after twelve months of production at the facility.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued and outstanding

Shares issued for the year ended December 31, 2016:

In February 2016, the Company issued 8,500,000 common shares at a fair value of $255,000 as part of the acquisition costs of the lithium property in Clayton Valley, Nevada. (See Note 6(a)).

For the year ended December 31, 2016, 11,500,000 common shares were issued on exercise of stock options for cash proceeds of $157,500.

For the year ended December 31, 2016, the Company issued 22,896,667 common shares to eight individuals and three companies at a fair value of $347,200 in settlement of debt. Of these shares for debt, 1,000,000 were held as treasury shares and were cancelled and re-issued.

Shares issued for the three months ended March 31, 2017:

In January 2017, the Company issued 4,600,000 common shares to two directors and officers in lieu of a portion of their 2017 compensation. The Company also issued 200,000 common shares to a service provider as settlement of $5,691 of debt.

For the three months ended March 31, 2017, 500,000 common shares were issued on exercise of warrants at $0.05 for cash proceeds of $25,000.

For the three months ended March 31, 2017, 11,100,000 common shares were issued on exercise of stock options for cash proceeds of $309,500.

(c) Share purchase warrants

A summary of the changes in the Company's warrants for the three months ended March 31, 2017 is presented below:

	Number of warrants	Weighted average exercise price
		$
Balance, December 31, 2015	33,670,275	0.11
Expired or cancelled	(7,804,250)	(0.13)
Balance, December 31, 2016	25,866,025	0.11
Exercised	(500,000)	(0.05)
Expired or cancelled	(7,270,000)	(0.07)
Balance, March 31, 2017	18,096,025	0.12

In January 2017, 7,270,000 warrants exercisable at $0.07 expired unexercised.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

The following table summarizes the share purchase warrants outstanding and exercisable as at March 31, 2017:

Exercise price	Expiry date	Number of warrants
$ 0.15	03/08/2018	8,767,275
$ 0.15	03/25/2018	4,078,000
$ 0.05	04/06/2017*	5,250,750
		18,096,025

*See Note 13(a)

As at March 31, 2017, 18,096,025 warrants (2016 - 33,520,275 warrants) with a weighted average remaining contractual life of 0.68 years (2016 - 1.17 years) were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each whole warrant held.

(d) 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 market price at the time of granting, or as permitted by the policies of the Exchange. 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.

A summary of the changes in the Company's stock options for the three months ended March 31, 2017 is presented below:

	Number of options	Weighted average exercise price
		$
Balance, December 31, 2015	3,050,000	0.09
Options granted	25,100,000	0.02
Options exercised	(11,500,000)	(0.01)
Options cancelled or expired	(5,325,000)	(0.05)
Balance, December 31, 2016	11,325,000	0.025
Options granted	12,800,000	0.04
Options exercised	(11,100,000)	(0.03)
Balance, March 31, 2017	13,025,000	0.035

In February 2017, the Company granted 6,000,000 stock options to thee consulting firms. The options are exercisable at a price of $0.03 per share for a period of six months expiring in August 2017. The options vested immediately on the date of grant.

In March 2017, the Company granted 4,500,000 stock options to three consultants. The options are exercisable at a price of $0.045 per share for a period of six months expiring in September 2017. The options vested immediately on the date of grant.

In March 2017, the Company granted 1,800,000 stock options to two directors and two consultants. The options are exercisable at a price of $0.045 per share for a period of two years expiring in March 2019. The options vested immediately on the date of grant.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

In March 2017, the Company granted 500,000 stock options to a consultant. The options are exercisable at a price of $0.045 per share for a period of 2.5 years expiring in September 2019. The options vested immediately on the date of grant.

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

Issue date	March 15, 2017	March 15, 2017	March 15, 2017	February 27, 2017	February 24, 2017
Share price	$0.045	$0.045	$0.045	$0.03	$0.03
Risk free interest rate	0.80%	0.80%	0.80%	0.76%	0.76%
Expected dividend yield	0%	0%	0%	0%	0%
Expected volatility	130%	130%	134%	163%	211%
Expected life	2.5 years	2 years	0.5 years	0.5 years	0.5 years

The weighted average grant date fair value of stock options granted during the three months ended March 31, 2017 was $0.018 (2016 - $0.017).

As at March 31, 2017, 13,025,000 options (2016 - 8,150,000) with a weighted average remaining contractual life of 2.30 years (2016 - 4.44 years) were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each option held.

7. 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 comprised of amounts owed to directors and officers as at March 31, 2017 of $19,840 (December 31, 2016 - $20,056). These amounts are unsecured, due on demand and non-interest bearing.

In January 2017, the Company issued 4,600,000 common shares valued at $69,000 to two directors and officers in lieu of a portion of their 2017 compensation. Of this amount, $34,500 is included in prepaids at March 31, 2017.

Key Management Compensation:

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were made during the three months ended March 31, 2017 and 2016. Short-term key management compensation for the three months ended March 31, 2017 and 2016 are as follow:

	2017	2016
	$	$
Director fees, paid to a Company on behalf of a director	-	4,500
Management fees, paid to officers and directors*	34,500	24,000
Share-based compensation to officers and directors	29,056	56,625
Total key management compensation	63,556	85,125

(Expressed in Canadian Dollars)

8. 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 and continue the development and exploration of its mineral properties.

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. The Company is not subject to any externally imposed capital requirements.

9. 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.

The Company has classified its cash and cash equivalents, and marketable securities as FVTPL. Accounts payable and accrued liabilities, note 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:

	March 31, 2017	December 31, 2016
	$	$
FVTPL (i)	387,416	141,154
Other financial liabilities (ii)	89,224	154,217

(i) Cash and cash equivalents, and marketable securities
(ii) Accounts payable and accrued liabilities, note payable and due to related parties

Fair value

As at March 31, 2017, the Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities, note 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:

9. FINANCIAL INSTRUMENTS AND RISK (continued)

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 are as follows:

At March 31, 2017:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	387,416	-	-	387,416

At December 31, 2016:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	141,154	-	-	141,154

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.

Foreign exchange risk

The Company has minimal foreign exchange risk as most of its transactions are in Canadian dollars. Foreign currency transactions are recorded in Canadian dollars based on exchange rates as at the time of the transaction.

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. The Company does not have any non-fixed rate debt.

10. CONTINGENCIES

In December 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 Company was committed to incur on or before December 31, 2013 a total of $43,200 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada. As at March 31, 2017, the Company had unfulfilled CEE obligations of $42,770 (2016 - $42,770). As the Company did not fulfill the expenditure obligation, the Company has accrued $26,947 as at March 31, 2017 (2016 - $21,947) 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.

(Expressed in Canadian Dollars)

10. CONTINGENCIES (continued)

As at March 31, 2017, an estimated amount accrued relating to the indemnification on the unfulfilled commitments totalled $85,277 (2016 - $85,277). The outcome of the amount of actual claims and penalties, if any, is contingent on assessments by the Canada Revenue Agency and any subsequent claims by subscribers against the Company.

Environmental contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

11. COMMITMENTS

a) The Company entered into a rental agreement for its office space in Toronto for the period from November 1, 2014 to January 31, 2020. The annual rental commitment is $61,558 for each of 2017, 2018, and 2019, and $5,130 for 2020.

b) In October 2016, the Company received a loan of $30,000 bearing interest at 2% per month (or any part month) with a maturity date of January 31, 2017. The loan was secured by the 4,700,000 common shares of Spearmint Resources Ltd. received from the sale of the two lithium properties in July 2016. The $10,000 loan balance at December 31, 2016 plus interest was repaid in January 2017.

12. SEGMENT DISCLOSURE

Geographic Information

The Company's E&E assets at March 31, 2017 were based in one geographic area as follows:

	Canada
As at March 31, 2017	$50,000
As at December 31, 2016	$NIL

Operating segments

As at March 31, 2017, the Company operates in the junior resource mineral exploration industry in Nevada and investing in an ACMPR applicant in Quebec, Canada.

13. SUBSEQUENT EVENTS

(a) Subsequent to March 31, 2017, 1,400,000 warrants at $0.05 were exercised for proceeds of $70,000. The remaining 3,850,750 warrants exercisable at $0.05 expired April 5, 2017.

(b) Subsequent to March 31, 2017, 400,000 options at $0.02 were exercised for proceeds of $8,000.

(c) In April 2017, the Company signed a definitive agreement with Royalmax and paid the $135,000 due on signing.