MATICA ENTERPRISES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Matica Enterprises Inc.

We have audited the accompanying consolidated financial statements of Matica Enterprises Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency), and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Matica Enterprises Inc. and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

TORONTO, Canada
April 27, 2018

MATICA ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Notes	2017	2016
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	10	**3,813,666**	47,154
Marketable securities	4	**1,050,000**	94,000
Accounts receivable		**6,941**	19,240
Prepaid expenses		**30,885**	17,388
Total current assets		**4,901,492**	177,782
Investment in RoyalMax	5	**3,805,064**	-
TOTAL ASSETS		**8,706,556**	177,782
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**65,229**	124,161
Note payable		**-**	10,000
Due to related parties	8	**13,719**	20,056
Flow-through renunciation obligations	12	**150,152**	145,152
Total current liabilities		**229,100**	299,369
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	7	**16,525,123**	7,460,260
Contributed surplus		**3,712,574**	294,417
Deficit		**(11,760,241)**	(7,876,264)
Total shareholders’ equity (deficiency)		**8,477,456**	(121,587)
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY (DEFICIENCY)		**8,706,556**	177,782

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 12 and 13)
SUBSEQUENT EVENTS (Note 15)

APPROVED ON BEHALF OF THE BOARD ON APRIL 27, 2018:

/s/ “Boris Ziger”
Boris Ziger, Director

/s/ “George A. Brown”
George A. Brown, Director

MATICA ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Notes	2017	2016
		$	$
GENERAL AND ADMINISTRATIVE EXPENSES			
Management and directors' fees	8	**148,500**	147,000
Office and miscellaneous		**26,098**	25,087
Professional fees		**61,938**	107,131
Rent	13	**43,753**	53,431
Share-based compensation	7(d), 8	**4,632,300**	338,300
Transfer agent and filing fees		**32,342**	22,450
Travel, marketing and promotion		**78,428**	45,900
Total general and administrative expenses		**5,023,359**	739,299
OTHER INCOME (EXPENSES)			
Interest income		**1,400**	-
Realized gain on marketable securities	4	**27,600**	-
Unrealized gain (loss) on marketable securities	4	**350,000**	(94,000)
Gain (loss) on settlement of debt		**46,441**	(30,955)
Gain on settlement of THCD civil suit		**700,000**	-
Impairment of exploration and evaluation assets	6	**-**	(125,618)
Part XII taxes and interest related to flow-through shares	12	**(5,000)**	(5,000)
Total other (expenses)		**1,120,441**	(255,573)
NET LOSS AND COMPREHENSIVE LOSS		**(3,902,918)**	(994,872)
LOSS PER SHARE - BASIC AND DILUTED		**(0.02)**	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		**191,540,547**	115,257,983

MATICA ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Notes	Common shares Shares	Common shares Amount	Treasury Units	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	7(b)	11,500,000	288,692	-	(131,192)	-	157,500
Options cancelled/expired	7(d)	-	-	-	(205,854)	205,854	-
Shares issued for properties	7(b)	8,500,000	255,000	-	-	-	255,000
Units and shares issued for services and settlement of debts	7(b)	22,896,667	347,200	(15,000)	-	-	332,200
Share-based compensation	7(d)	-	-	-	338,300	-	338,300
Units cancelled	8	(2,000,000)	(95,000)	95,000	-	-	-
Net loss		-	-	-	-	(994,872)	(994,872)
Balance, December 31, 2016		139,241,691	7,460,260	-	294,417	(7,876,264)	(121,587)
Private placement units issued for cash, net of issue costs	7(b)	50,466,000	2,271,436	-	117,000	-	2,388,436
Options exercised	7(b)	39,900,000	3,967,702	-	(1,312,202)	-	2,655,500
Options expired	7(d)	-	-	-	(18,941)	18,941	-
Warrants exercised	7(d)	21,439,500	2,375,725	-	-	-	2,375,725
Shares issued for investment in RoyalMax	5	6,000,000	270,000	-	-	-	270,000
Shares issued for services and settlement of debts	7(b)	7,800,000	180,000	-	-	-	180,000
Share-based compensation	7(d)	-	-	-	4,632,300	-	4,632,300
Net loss		-	-	-	-	(3,902,918)	(3,902,918)
Balance, December 31, 2017		264,847,191	16,525,123	-	3,712,574	(11,760,241)	8,477,456

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

MATICA ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Note	2017	2016
		$	$
OPERATING ACTIVITIES			
Net loss		**(3,902,918)**	(994,872)
Items not involving cash			
Realized (gain) on marketable securities		**(27,600)**	-
Unrealized (gain) loss on marketable securities		**(350,000)**	94,000
(Gain) loss on settlement of debt		**(46,441)**	30,955
(Gain) on settlement of THCD civil suit		**(700,000)**	-
Interest and penalty accrual on flow-through shares		**5,000**	5,000
Impairment of exploration and evaluation assets		**-**	125,618
Share-based compensation		**4,632,300**	338,300
Shares issued for services		**180,000**	332,200
		(209,659)	(68,799)
Changes in non-cash working capital items:			
Accounts receivable		**12,299**	12,500
Prepaid expenses		**(13,497)**	2,451
Accounts payable and accrued liabilities		**(12,491)**	(149,920)
Cash Used in Operating Activities		**(223,348)**	(203,768)
INVESTING ACTIVITIES			
Investment in RoyalMax		**(3,535,064)**	-
Investment in exploration and evaluation assets		**-**	(21,885)
Sale of marketable securities		**121,600**	-
Cash Used in Investing Activities		**(3,413,464)**	(21,885)
FINANCING ACTIVITIES			
Units issued for cash		**2,388,436**	-
Exercise of options		**2,655,500**	157,500
Exercise of warrants		**2,375,725**	-
Due to related parties		**(6,337)**	10,332
Note payable		**-**	30,000
Repayment of note payable		**(10,000)**	(20,000)
Cash Provided by Financing Activities		**7,403,324**	177,832
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,766,512**	(47,821)
CASH AND CASH EQUIVALENTS, BEGINNING		**47,154**	94,975
CASH AND CASH EQUIVALENTS, ENDING		**3,813,666**	47,154
NON-CASH TRANSACTIONS:			
Shares issued for investment in RoyalMax	5	**270,000**	-
Shares issued for exploration and evaluation assets	6	**-**	255,000
Shares issued for related parties debt settlement	7(b)	**144,000**	143,000
Shares received for THCD settlement	4	**700,000**	-
Shares issued for vendors debt settlement	7(b)	**36,000**	189,200
SUPPLEMENTAL INFORMATION:			
Interest paid		**-**	-
Income taxes paid		**-**	-

The accompanying notes are an integral part of these consolidated 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 then completed a change of business with a primary focus in the life sciences focused on the medical marijuana industry 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 no longer holds any mineral property titles, however, it continues to hold a royalty interest in a Nevada lithium property. The business of exploring for minerals involved a high degree of risk and there could be no assurances that exploration programs would result in profitable operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence was 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.

Although the Company had taken steps to verify title to the properties on which it was conducting exploration and in which it had an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures did 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 could also have been subject to increases in taxes and royalties, renegotiation of contracts, and political and social uncertainty.

The Company has a net loss of $3,902,918 for the year ended December 31, 2017 (2016 - $994,872), an accumulated deficit of $11,760,241 (2016 - $7,876,264), and working capital of $4,672,392 (2016 – deficiency of $121,587) which has been funded primarily by the issuance of equity. The Company does not yet generate cash flows from operations and accordingly the Company may need to raise additional funds through future issuance of securities or debt financing (see Note 15). 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 a Health Canada approved facility for growing and selling medical marijuana and 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on April 27, 2018.

(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 consolidated financial statements for the years ended December 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 previously held mineral claims to Nevada properties through Ravenline USA.

The three British Columbia numbered subsidiaries were formed to accomplish an arrangement which was terminated in August 2015 under which assets would have been transferred to four subsidiaries, and shares of the subsidiaries would have been distributed to the Company's shareholders. These three numbered subsidiaries are inactive and incurred no transactions for the years ended December 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

(a) Measurement basis

These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. 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 into specific amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents. As at December 31, 2017 and 2016, the Company did not have any cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Marketable securities

The Company classifies its marketable securities as FVTPL which are reported at the fair market value based on bid prices with unrealized gains or losses included in earnings.

(d) Exploration and evaluation assets

(i) Acquisition of exploration and evaluation assets, and royalty interests

The Company capitalizes the direct costs of acquiring mineral exploration property and royalty interests. Option payments were considered acquisition costs if the Company had the intention of exercising the underlying option.

From time to time, the Company acquired and disposed of mineral exploration property interests pursuant to the terms of option agreements. Property options were exercisable entirely at the discretion of the optionee, and accordingly, property option payments were recorded as mineral exploration property costs (recoveries) when payments were made or received until the original cost was recovered; after which recoveries were credited 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 or to develop a specific business plan and before technical feasibility and commercial viability of extracting mineral resources are demonstrable or profitable operations commence.

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 were capitalized as exploration and evaluation assets. Government assistance, mining duty credits and optionee commitments from farmed-out mineral property interests were applied against exploration and evaluation assets when they were received.

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.

3. 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, 2017 and 2016, the Company did not have any material 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of long-lived assets

Long-lived assets are reviewed by management for possible impairment annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition.

(i) Foreign currency translation

The reporting currency of the Company is the Canadian dollar. The functional currency of the Company's wholly owned subsidiaries is also the Canadian dollar.

In preparing the financial statements, transactions in currencies other than the functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Gains or losses on translation are recorded in operations.

(j) 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 at 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, and marketable securities 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 accrued liabilities, note 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

At the end of each financial reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

Publicly-traded investments
i. Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period. These are included in Level 1 of the fair value hierarchy (see Note 10).

ii. For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the options and warrants are valued at intrinsic value, which is equal to the higher of the closing trade price at the end of the reporting period of the underlying security less the exercise price of the options or warrants, and zero. These are included in Level 2 of the fair value hierarchy.

Private company investments
All privately-held investments (other than warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at the end of each financial reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 of the fair value hierarchy (see Note 10). Warrants of private companies are carried at their intrinsic value.

The determination of fair value of the Company's privately-held investments at other than initial cost, is subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on management's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will also consider trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair value of a privately-held investment may be adjusted if:

i. There has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
ii. There have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;
iii. The investee company is placed into receivership or bankruptcy;
iv. Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
v. Release by the investee company of positive/negative exploration results; and
vi. Important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

(l) Share-based payments

The Company accounts for share-based payments awards granted to employees, directors 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 estimated 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. The consideration received from private placement units is allocated to the common shares. No value is allocated to the warrants issued as part of a private placement unit that are characterized as equity instruments.

(m) 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 renouncement 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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.

Loss per share for the periods presented exclude the impact of issued and outstanding stock options and warrants as their effect would be anti-dilutive.

(p) 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:

<u>Fair value of investments in securities not quoted in an active market or private company investments</u>
Where the fair values of financial assets recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an asset'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.

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.

During the year ended December 31, 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7, IAS 12 and IAS 28. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new pronouncements

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.

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

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 1, 2018.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier 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.

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 6(a)). As at December 31, 2016, the fair market value of these shares was $94,000. During 2017, the Company sold all 4,700,000 common shares for proceeds of $121,600 net of commissions and realized a gain of $27,600.

In May 2017, the Company received 350,000 common shares of a private company at a deemed value of $350,000 based upon a $1.00 per share financing completed by the issuing company. This represented 50% of the agreed to $700,000 third party settlement of the Company’s legal claims against THC Dispensaries Canada Inc. (“THCD”). In December 2017, an additional 175,000 shares were issued at a deemed value of $350,000 based upon a $2.00 per share financing completed by the issuing company in December 2017. The value of these 525,000 shares was adjusted to $1,050,000 at December 31, 2017 to reflect the December 2017 private placement at $2.00 per share as reported by the issuing company on SEDAR.

(Expressed in Canadian Dollars)

5. INVESTMENT IN ROYALMAX

In March 2017, the Company signed a letter of intent ("LOI") with RoyalMax Biotechnology Canada Inc. "Royal Max", an arms length 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 was paid on signing a definitive agreement in April 2017. The Company issued 6,000,000 common shares (fair value on date of issue at $270,000) upon receipt of due diligence disclosure materials. The Company may earn a 65% interest in RoyalMax for funding a cumulative minimum amount of $2,200,000 for the build out of a medical marijuana growing facility up to and including receiving a licence from Health Canada. The Company may 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.

	RoyalMax, Quebec	Total
	$	$
Balance, December 31, 2016	-	-
Acquisition costs	455,000	455,000
Funding of facility build out	3,350,064	3,350,064
Balance, December 31, 2017	3,805,064	3,805,064

As at December 31, 2017, the build out of the facility was not yet complete and therefore the Company had not yet earned a 65% interest in RoyalMax.

6. EXPLORATION AND EVALUATION ASSETS

	Clayton Valley, Nevada	Grumpy Lizard, Nevada	Buckingham North, Quebec	Total
	$	$	$	$
Balance, December 31, 2015	-	36,733	-	36,733
Acquisition costs	278,888	2,225	10,000	291,113
Exploration costs	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 and 2017	-	-	-	-

(a) Clayton Valley, Nevada

In February 2016, the Company acquired a 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 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 sale, the Company wrote off the remaining carrying value of the property. The Company continues to hold a 2% NSR on one of the properties. Spearmint may purchase half of the 2% NSR for US$500,000.

6. EXPLORATION AND EVALUATION ASSETS (continued)

(b) Grumpy Lizard, Nevada

During 2015, the Company filed claims representing 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 and the Company elected not to renew the claims in September 2017.

(c) Buckingham North Property

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

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

7. 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 (based on the quoted market price on the date of issuance) 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. (See Note 8). Of these shares for debt, 1,000,000 were held as treasury shares and were cancelled and re-issued.

Shares issued for the year ended December 31, 2017:

In January 2017, the Company issued 4,600,000 common shares to two directors and officers in lieu of $69,000 of their 2017 compensation (based on the quoted market price on the date of issuance). The Company also issued 200,000 common shares to a service provider as settlement of $5,691 of debt.

In May 2017, the Company issued 2,142,857 common shares to three directors and/or officers in lieu of their remaining $75,000 of 2017 compensation. The Company also issued 857,143 common shares to a service provider valued at $30,000 (based on the quoted market price on the date of issuance).

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

In July 2017, the Company closed a private placement of 50,466,000 units at $0.05 for gross proceeds of $2,523,300. Each unit consists of a common share and a share purchase warrant exercisable at $0.10 for 18 months following the closing date. The Company issued 1,356,960 broker share purchase warrants exercisable at $0.05 for 18 months from the closing date and paid $134,864 in finders fees.

For the year ended December 31, 2017, 21,439,500 common shares were issued on exercise of warrants for cash proceeds of $2,375,725.

For the year ended December 31, 2017, 39,900,000 common shares were issued on exercise of stock options for cash proceeds of $2,655,500.

(c) Share purchase warrants

A summary of the changes in the Company's warrants for the years ended December 31, 2017 and 2016 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
Issued	51,822,960	0.10
Exercised	(21,439,500)	(0.11)
Expired or cancelled	(11,120,750)	(0.06)
Balance, December 31, 2017	45,128,735	0.11

In January 2016, the Company extended the expiry date of the 7,270,000 warrants expiring on January 8, 2016 to January 8, 2017. These warrants expired unexercised in January 2017.

During the year ended December 31, 2016, 6,804,250 warrants expired unexercised and 1,000,000 warrants held as part of treasury units were cancelled.

In April 2017, 3,850,750 warrants exercisable at $0.05 expired unexercised.

In July 2017, 50,466,000 warrants exercisable at $0.10 and 1,356,960 broker warrants exercisable at $0.05 were issued in relation to a private placement. These warrants expire after 18 months in January 2019. See Note 7(b).

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

Exercise price	Expiry date	Number of warrants
$ 0.15	03/08/2018*	3,379,775
$ 0.15	03/25/2018*	2,778,000
$ 0.10	01/10/2019*	37,766,000
$ 0.05	01/10/2019	1,204,960
		45,128,735

*See Note 15(a)

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

As at December 31, 2017, 45,128,735 warrants (2016 - 25,866,025 warrants) with a weighted average remaining contractual life of 0.92 years (2016 - 0.66 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 years ended December 31, 2017 and 2016 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	(5,325,000)	(0.05)
Balance, December 31, 2016	11,325,000	0.025
Options granted	47,050,000	0.17
Options exercised	(39,900,000)	(0.07)
Options cancelled or expired	(225,000)	(0.05)
Balance, December 31, 2017	18,250,000	0.30

In February 2016, the Company granted 3,400,000 stock options to four directors and/or officers and 2,100,000 stock options to four consultants resulting in a share-based compensation expense of $91,600. The options are exercisable at a price of $0.02 per share for a period of five years expiring in February 2021. The options vested immediately on the date of grant.

In April 2016, the Company granted 3,700,000 stock options to consultants. The options are exercisable at a price of $0.02 per share for a period of five years expiring in April 2021. The options vested immediately on the date of grant.

In May 2016, the Company granted 1,000,000 stock options to a consulting firm. The options are exercisable at a price of $0.015 per share for a period of five years expiring in May 2021. The options vested immediately on the date of grant.

In June 2016, the Company granted 3,000,000 stock options to a consulting firm. These options are exercisable at a price of $0.01 per share. Of these options, 1,000,000 expire after one year in June 2017 and 2,000,000 expire after five years in June 2021. The options vested immediately on the date of grant.

7. SHARE CAPITAL (continued)

In July 2016, the Company granted 3,000,000 stock options to two consulting firms. The options are exercisable at a price of $0.01 per share for a period of one year expiring in July 2017. The options vested immediately on the date of grant.

In November 2016, the Company granted 3,200,000 stock options to three consultants at a price of $0.015 per share for a period of nine months expiring in August 2017. The options vested immediately on the date of grant.

In November 2016, the Company also granted 2,700,000 stock options to three directors and/or officers and one consultant. The options are exercisable at a price of $0.025 per share for a period of five years expiring in November 2021. The options vested immediately on the date of grant.

In November 2016, the Company also granted 3,000,000 stock options to a consulting firm at a price of $0.025 per share for a period of six months expiring in May 2017. The options vested immediately on the date of grant.

In February 2017, the Company granted 6,000,000 stock options to three consultants. 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.

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.

In July 2017, the Company granted 10,000,000 stock options to four directors and two consultants of the Company. The options are exercisable at a price of $0.11 per share for a period of two years expiring in July 2019. The options vested immediately on the date of grant.

In July 2017, the Company granted 4,500,000 stock options to three consultants. The options are exercisable at a price of $0.11 per share for a period of six months expiring in January 2018. The options vested immediately on the date of grant.

In August 2017, the Company granted 2,000,000 stock options to a consultant. The options are exercisable at a price of $0.10 per share for a period of six months expiring in February 2018. The options vested immediately on the date of grant.

In November 2017, the Company granted 2,000,000 stock options to a consultant. The options are exercisable at a price of $0.095 per share for a period of five months expiring in April 2018. The options vested immediately on the date of grant.

In November 2017, the Company granted 4,500,000 stock options to three consultants. The options are exercisable at a price of $0.16 per share for a period of five months expiring in April 2018. The options vested immediately on the date of grant.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

In November 2017, the Company granted 250,000 stock options to a consultant. The options are exercisable at a price of $0.16 per share for a period three years expiring in November 2020. The options vested immediately on the date of grant.

In December 2017, the Company granted 4,000,000 stock options to two consultants. The options are exercisable at a price of $0.42 per share for a period of six months expiring in June 2018. The options vested immediately on the date of grant.

In December 2017, the Company granted 7,000,000 stock options to four directors and one consultant. The options are exercisable at a price of $0.42 per share for a period of three years expiring in December 2020. The options vested immediately on the date of grant.

The weighted average grant date fair value of stock options granted in 2017 was $0.10 (2016 - $0.01).

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

Issue date	December 22, 2017	December 22, 2017	November 24, 2017	November 24, 2017	November 24, 2017
Share price	$0.42	$0.42	$0.16	$0.16	$0.095
Risk free interest rate	1.71%	1.66%	1.48%	1.41%	1.44%
Expected dividend yield	0%	0%	0%	0%	0%
Expected volatility	142%	140%	166%	175%	121%
Expected life	3 years	0.5 years	3 years	0.42 years	0.42 years

Issue date	August 11, 2017	July 11, 2017	July 11, 2017	March 15, 2017	March 15, 2017
Share price	$0.10	$0.11	$0.11	$0.045	$0.045
Risk free interest rate	1.23%	1.19%	1.19%	0.80%	0.80%
Expected dividend yield	0%	0%	0%	0%	0%
Expected volatility	166%	164%	135%	130%	130%
Expected life	0.5 years	0.5 years	2 years	2.5 years	2 years

Issue date	March 15, 2017	February 27, 2017	February 24, 2017	November 24, 2016	November 9, 2016
Share price	$0.045	$0.03	$0.03	$0.025	$0.025
Risk free interest rate	0.80%	0.76%	0.76%	0.68%	0.59%
Expected dividend yield	0%	0%	0%	0%	0%
Expected volatility	134%	163%	211%	205%	123%
Expected life	0.5 years	0.5 years	0.5 years	0.5 years	5 years

Issue date	November 7, 2016	July 20, 2016	June 30, 2016	June 29, 2016	May 13, 2016
Share price	$0.015	$0.01	$0.01	$0.01	$0.015
Risk free interest rate	0.59%	0.60%	0.48%	0.62%	0.77%
Expected dividend yield	0%	0%	0%	0%	0%
Expected volatility	97%	135%	131%	115%	119%
Expected life	0.75 years	1 year	1 year	5 years	5 years

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

Issue date	April 25, 2016	February 12, 2016
Share price	$0.02	$0.02
Risk free interest rate	0.89%	0.65%
Expected dividend yield	0%	0%
Expected volatility	118%	123%
Expected life	5 years	5 years

The following table summarizes the options outstanding and exercisable as at December 31, 2017:

Exercise price	Expiry date	Number of options
$ 0.16	04/24/2018*	500,000
$ 0.42	06/22/2018*	4,000,000
$ 0.11	07/11/2019	6,500,000
$ 0.16	11/24/2020*	250,000
$ 0.42	12/24/2020*	7,000,000
		18,250,000

*See Note 15(b)

As at December 31, 2017, 18,250,000 options (2016 - 11,325,000) with a weighted average remaining contractual life of 1.84 years (2016 - 2.77 years) were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each option held.

8. 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 amounts owed to directors and officers as at December 31, 2017 of $13,719 (2016 - $20,056). These amounts are unsecured, due on demand and non-interest bearing.

In November 2016, the Company issued 9,533,333 shares to three officers and/or directors in settlement of $143,000 of debt.

During the year ended December 31, 2017, the Company issued 6,742,857 common shares valued at $144,000 to three directors and/or officers in lieu of their 2017 compensation.

The CEO elected to forgo his 2015 salary compensation of $96,000 and the 1,000,000 units issued to him as settlement of $80,000 of salary were cancelled in June 2016.

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 years ended December 31, 2017 and 2016. Short-term key management compensation for the years ended December 31, 2017 and 2016 are as follow:

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (continued)

	2017	2016
	$	$
Director fees	7,500	9,000
Management fees, paid to officers and directors	141,000	138,000
Share-based compensation to officers and directors	2,632,383	108,755
Total key management compensation	2,780,883	255,755

See Notes 15(c) and 15(d) for common shares issued to and stock options granted to directors and officers subsequent to December 31, 2017.

9. 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 its evaluation assets.

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.

10. 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:

	2017	2016
	$	$
FVTPL (i)	4,863,666	141,154
Other financial liabilities (ii)	78,948	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 December 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.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND RISK (continued)

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

At December 31, 2017:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	3,813,666	-	-	3,813,666
Marketable securities	-	-	1,050,000	1,050,000

At December 31, 2016:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	47,154	-	-	47,154
Marketable securities	94,000	-	-	94,000

Financial instruments classified as Level 3 are measured at fair value utilizing non-observable market inputs. The net realized gains (losses) and net change in unrealized gains (losses) are recognized in the consolidated statements of loss.

Within Level 3, the Company included private company investments which are not quoted on a recognized securities exchange. The key assumptions used in the valuation of these instruments include, but are not limited to, the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies.

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 of the fair value hierarchy:

	December 31, 2017
Based upon recent financings	$ 1,050,000

For those investments valued based on recent financings, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2017. A 10% change in the fair value of these investments would result in a corresponding +/- $105,000 change to the fair value of the investments.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments.

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.

10. FINANCIAL INSTRUMENTS AND RISK (continued)

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.

11. 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:

	2017	2016
Combined statutory tax rate	26.5%	26.5%
	$	$
Income tax recovery at combined statutory rate	1,034,000	264,000
Non-deductible items	(1,229,000)	(92,000)
Other	117,000	(188,000)
Amounts not recognized	78,000	16,000
Income tax expense	–	–

At December 31, 2017 and 2016, the amount of deductible temporary differences for which no deferred tax asset is recognized in the statements of financial position is as follows:

	2017 Temporary Difference	2016 Temporary Difference
	$	$
Non-capital losses	5,031,000	5,298,000
Mineral properties	1,175,000	1,175,000
Share issue costs	278,000	120,000
Marketable securities and capital losses	539,000	917,000
	7,023,000	7,510,000

As at December 31, 2017, the Company had non-capital losses carried forward of approximately $5,031,000 (2016 - $5,298,000) which may be applied to reduce future years' taxable income, expiring as follows:

	$
2030	154,000
2031	365,000
2032	492,000
2033	480,000
2034	1,695,000
2035	1,368,000
2036	477,000
	5,031,000

11. 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.

12. CONTINGENCIES

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 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 December 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 $31,947 as at December 31, 2017 (2016 - $26,947) 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 related amounts in respect of the unspent portion of the commitment. As at December 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.

The Company may become party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision is recorded in the consolidated financial statements. Where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of any such matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of legal actions or other claims, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

13. COMMITMENTS

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 2018, and 2019, and $5,130 for 2020.

14. SEGMENT DISCLOSURE

<u>Geographic Information</u>

The Company's assets at December 31, 2017 and 2016 were based solely in Canada.

<u>Operating segments</u>

During the year ended December 31, 2017, the Company operates in the health related sector and is investing in an ACMPR applicant in Quebec, Canada. (See Note 5). The Company continues to hold a royalty on a Nevada Lithium property carried at nil value as at December 31, 2017 (Note 6(a)).

15. SUBSEQUENT EVENTS

a) Subsequent to December 31, 2017, 19,535,667 warrants were exercised for proceeds of $2,232,886. In March 2018, 74,000 broker warrants expired unexercised.

b) Subsequent to December 31, 2017, 6,750,000 options were exercised for proceeds of $2,884,000 and 2,000,000 options were cancelled.

c) In January 2018, the Company issued 171,429 common shares (valued at $72,000) to two directors and officers in lieu of a portion of their 2018 compensation. The Company also issued 35,714 common shares to a service provider as settlement of $15,000 of debt.

d) In January 2018, the Company granted 2,500,000 stock options to two consulting companies exercisable at $0.58 until July 8, 2018. In February 2018, the Company granted 4,000,000 stock options to two consulting companies exercisable at $0.32 until August 3, 2018. In March 2018, the Company granted 7,750,000 stock options exercisable at $0.35 of which 6,000,000 were to four directors expiring March 23, 2021, 1,250,000 were to two consultants expiring March 23, 2021, and 500,000 to a consulting company expiring September 23, 2018. The options vested immediately on the date of grant.

e) In March 2018, the Company signed a definitive agreement with Yunify Natural Technologies ("Yunify"), a Quebec based health and personal care research and innovation technology company. Per the agreement, the Company subscribed for a $2,000,000 ($600,000 paid on signing) convertible debenture bearing interest at six percent per annum. The remaining $1,400,000 is due within one year to the maturity date. The debenture is convertible into units of Yunify at a $0.225 exercise price. Each unit will be comprised of one common share, one-half of one common share purchase warrant of which one full warrant will entitle the holder to purchase one common share of Yunify for a period of 36 months from the closing date at an exercise price of $0.35 per warrant, and one-half common share purchase warrant of which one full warrant will entitle the holder to purchase one common share of the Company for a period of 36 months from the closing date at an exercise price of $0.50 per warrant. By fully exercising the warrants, the Company may acquire a 40 per cent interest in Yunify.

f) In April 2018, the Company closed a private placement for 1,500,000 units at $0.35 for gross proceeds of $525,000. Each unit consists of a common share and a share purchase warrant exercisable at $0.45 for two years following the closing date. The Company also issued 120,000 units in finders fees.