



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Date of Report: April 29, 2019**

The following Management Discussion and Analysis ("MD&A") provides analysis of financial results of Matica Enterprises Inc. ("the Company") for the year ended December 31, 2018 with comparisons to 2017. This MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2018. Additional information relevant to the Company is available for review on SEDAR at [www.sedar.com](http://www.sedar.com).

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

**Forward-Looking Information**

Certain information included in this discussion may constitute forward-looking statements.

Forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, intend, estimate, anticipate, believe, or continue (or the negatives thereof) or variations thereon or similar terminology. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. These factors include the inherent risks involved in the completion of a medical marijuana facility that is subject to third party approvals, the possibility of project cost overruns or unanticipated operating costs and expenses, uncertainties related to the necessity of financing, the availability of and costs of financing needed in the future, and other factors identified by the Company as risk factors. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. The reader is cautioned not to place undue reliance on forward-looking statements.

**DESCRIPTION OF BUSINESS**

The Company was incorporated pursuant to the Business Corporation Act (British Columbia) in November 2007 under the name of Cadman Resources Inc. The Company was initially listed in July 2008 as a capital pool company ("CPC"), as defined in the policies of the TSX Venture Exchange (the "Exchange"). In December 2010, the listing of the Company's shares was transferred to the NEX Board. In July 2012, the Company began trading on the Canadian National Stock Exchange ("CNSX") under the symbol "CUZ" and voluntarily delisted from the NEX board.

In April 2014, the Company changed its name to Matica Graphite Inc. and began trading under the new symbol "GRF". In July 2014, the Company changed its name to Matica Enterprises Inc. In July 2014, the Company's shares were accepted for trading on the Frankfurt Stock Exchange.

In 2014, the Company completed a change of business with a primary focus in the medical marijuana industry. As a result of the change in business focus, trading of Matica shares was halted in August 2014 and resumed trading in November 2014 as "MMJ". The Company had retained an exploration property portfolio. In March 2019, the Company began trading on the OTCQB under the new symbol MMJFF.

The Company has continued to acquire, evaluate and dispose of opportunities to invest in parties that are applicants under the Health Canada Access to Cannabis for Medical Purposes Regulation ("ACMPR").

## HIGHLIGHTS OF COMPANY ACTIVITIES

### Corporate Activities:

#### Activities during the year ended December 31, 2017 and subsequent:

In March 2017, the Company signed a letter of intent (“LOI”) with RoyalMax Biotechnologies Canada Inc. (“RoyalMax”), an applicant under the Access to Cannabis for Medical Purposes Regulation (“ACMPR”) and the \$50,000 due on signing the LOI was paid. In April 2017, the \$135,000 due on signing of a definitive agreement was also paid. In June 2017, the Company issued 6,000,000 common shares (valued at \$270,000 on the date of grant) upon receipt of all due diligence disclosure materials. Matica will have earned a 65% interest for funding the build out of the facility until approval of a licence to sell by Health Canada is received. Matica will then be issued an additional 5% interest “In Trust” for having made payments of \$400,000 (paid in advance in 2018) that were due within 30 days of notification of licensing by Health Canada. The additional 5% interest held “In Trust” will be released upon a final payment of \$400,000 which will become due after twelve months of production at the facility.

On March 15, 2017, Mr. David Lee resigned as a director and was replaced by Mr. Gurcharn Deol rejoining the board.

In May 2017, the Company reached a third party settlement in regards to its legal action against THCD and other related parties. Matica received shares of Cultivator Catalyst Corp. (“CCC”), the third party, at a deemed value of \$700,000 in two tranches of \$350,000 each during the year ended December 31, 2017. The first tranche of 350,000 shares was accepted at a deemed value of \$1.00 per share (\$350,000) based on the price of a private placement by CCC at the time of the share issue. The second tranche of 175,000 shares was accepted at a deemed value of \$2.00 per share (\$350,000) also based on the price of a CCC private placement occurring at the time of the share issue. In October 2018, the CCC shares were exchanged for 2,625,000 shares of Biome Grow Inc. which was listed on October 8, 2018. The value of these shares was \$1,811,250 at December 31, 2018. Subsequent to December 31, 2018, the Company sold 1,515,000 shares of Biome for net proceeds of \$976,480.

In July 2017, Mr. Denis Bouchard joined the Board of Directors and represents a Quebec based director for the Company’s new focus in Quebec.

In July 2017, the Company announced a letter of intent to acquire a 70% interest in a second Quebec application. The Company chose not to commence this second build out until our first facility received a Health Canada cultivation licence. In February 2018, an outside third party invoked their right of first refusal on this application and therefore Matica did not sign a definitive agreement on this application. Matica were owed \$20,000 in costs related to the right of first refusal being invoked. The \$20,000 was recovered in November 2018.

In September 2017, the Company announced a letter of intent to acquire an application in Southwestern Ontario. After completion of due diligence, draft definitive agreements were prepared including a lease for the premises and an option to purchase the property. In early 2018, the applicant passed away and the Company attempted unsuccessfully to complete the transaction through the estate and has since abandoned these efforts.

In November 2017, the Company received notices of dissolution for the three inactive numbered subsidiaries; 1022607 B.C. Ltd., 122608 B.C. Ltd., and 1024250 B.C. Ltd.

**Activities during the year ended December 31, 2018:**

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. Yunify will create proprietary cannabinoid-based topical products using its mineral and plant-based suspension technologies. As per the terms of the agreement, the Company may acquire up to a 40% interest in Yunify. The Company has subscribed to a \$2,000,000 convertible debenture bearing interest at 12% per annum and has advanced the first \$600,000 under this debenture. The second \$400,000 may be drawn upon submission of a listing agreement to a recognized stock exchange. The final \$1,000,000 may be drawn upon the common shares of Yunify being listed for trading on a recognized stock exchange. The \$2,000,000 plus accrued interest will be convertible into shares of Yunify, the listed company. In March 2019, the debenture agreement was amended to be extended by 12 months to March 2020 and to increase the interest rate from 6% to 12% per annum retroactive to March 2018.

**OUTLOOK**

Matica has completed the required build out of a 10,000 square foot medical marijuana growing facility in Dorval, Quebec. The Company raised over \$2.5 million in July 2017 to complete the build out and hopes to become a revenue generating medical marijuana company within 2019.

In June 2018, the Company made available to a private Quebec corporation a \$1,500,000 revolving line of credit secured by a mortgage against a 181 acre agricultural property purchased by the Quebec corporation using line of credit funds. The loan accrues interest at 5% per annum. The proceeds of the line of credit are to be used to develop the agricultural property. The two shareholders of the Quebec corporation are related to Matica’s director and interim CFO. Both shareholders are residents of Quebec which was a requirement to purchase the agricultural land. Matica’s director and CEO was appointed a director and secretary of the Quebec corporation to represent the interests of Matica in the development of the property.

The Company has engaged Ron Berkhout of Inhuis Contrived Inc. to design and provide quotes to build a 200,000 square foot greenhouse as phase 1 of a planned 1,000,000 square foot greenhouse project on the Hemmingford property.

The marijuana market is evolving rapidly with the legalization of recreational marijuana as announced in October 2018. The estimated base retail market value of recreational marijuana is projected to be in the billions. The Company continues to evaluate projects in the medical marijuana sector, including, but not limited to, the agricultural, medical, technological, and property development sectors of the industry.

**OVERALL PERFORMANCE**

As at December 31, 2018, the Company had cash and other current assets totalling \$7,325,115 (December 31, 2017 - \$4,901,492) and working capital of \$7,041,747 (December 31, 2017 - \$4,672,392). For the year ended December 31, 2018, the Company incurred \$5,480,073 (2017 - \$5,023,359) in general and administrative expenses.

**Selected Annual Information**

The following table shows the financial results derived from the Company’s financial statements for the years ended December 31, 2018, 2017, and 2016:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	\$	\$	\$
Total Revenues	-	-	-
Net Profit (Loss)	(5,261,462)	(3,902,918)	(994,872)
Basic and diluted loss per share	(0.02)	(0.02)	(0.01)
Total Assets	14,728,664	8,706,556	177,782
Total Long Term Liabilities	-	-	-

**FINANCIAL RESULTS****Summary of Quarterly Results**

The following table sets out selected unaudited quarterly financial information of the Company.

<b>Quarterly Information</b>	<b>Revenue</b>	<b>Net Income (Loss)</b>	<b>Basic and diluted income (loss) per common share</b>
	\$	\$	\$
December 31, 2018	-	(2,089,914)	(0.01)
September 30, 2018	-	(620,078)	(0.00)
June 30, 2018	-	186,353	0.00
March 31, 2018	-	(2,737,821)	(0.01)
December 31, 2017	-	(2,430,889)	(0.01)
September 30, 2017	-	(1,134,398)	(0.01)
June 30, 2017	-	(87,852)	(0.00)
March 31, 2017	-	(249,779)	(0.00)

**Comparison of operating results****Quarterly Information**

	<b>Three Months Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
<b>General and administrative expenses</b>		
Management and director's fees	<b>159,000</b>	39,000
Office and miscellaneous	<b>8,897</b>	6,141
Professional fees	<b>66,700</b>	28,278
Rent	<b>11,147</b>	10,709
Share-based compensation	<b>454,516</b>	3,365,800
Transfer agent and filing fees	<b>4,332</b>	9,225
Travel, marketing and promotion	<b>5,042</b>	63,486
<b>Total general and administrative expenses</b>	<b>709,634</b>	3,522,639

**Comparison of results for the three months ended December 31, 2018 and 2017:**

The Company's general and administrative expenses decreased by \$2,813,005 in 2018. This is mainly due to a decrease of \$2,911,284 in share-based compensation expense. The Company granted 17,750,000 options during the three months ended December 31, 2017 compared to 1,950,000 in 2018. The options were valued using the Black-Scholes Model at the time of grant.

Management and director's fees increased by \$120,000 during the three months ended December 31, 2018 due to a year end bonus awarded for the successful receipt of a cultivation license in October 2018.

## Annual Information

	Years Ended December 31,	
	2018	2017
	\$	\$
<b>General and administrative expenses</b>		
Management and director's fees	276,000	148,500
Office and miscellaneous	64,344	26,098
Professional fees	226,425	61,938
Rent	43,297	43,753
Share-based compensation	4,618,916	4,632,300
Transfer agent and filing fees	25,194	32,342
Travel, marketing and promotion	225,897	78,428
<b>Total general and administrative expenses</b>	<b>5,480,073</b>	<b>5,023,359</b>

### Comparison of results for the year ended December 31, 2018 and 2017:

The Company's general and administrative expenses increased by \$456,714 in 2018.

Professional fees increased by \$164,487 in 2018. In April 2018, the Company entered into a consulting agreement with \$25,000 due on signing and fees of \$10,000 per month. This agreement was terminated in July 2018. There was also an increase in legal fees in relation to the agreement with Yunify.

Travel, marketing and promotion costs increased by \$147,469 during the year which included a \$120,000 USD (\$158,500) marketing contract for the three months ended June 30, 2018. The cost of management travel to and from Quebec in relation to the RoyalMax Dorval facility and the Hemmingford property also increased.

Management and director's fees increased by \$127,500 during the year ended December 31, 2018, due to a year end bonus awarded for the successful receipt of a cultivation license in October 2018.

Office and miscellaneous expenses increased by \$38,246 primarily due to mailing and printing costs related to the annual and special meeting of shareholders in June 2018.

Other costs remained relatively unchanged except for a decrease of \$13,384 in share-based compensation expense. The Company granted 26,400,000 options during the year ended December 31, 2018 compared to 47,050,000 in 2017. These options were valued using the Black-Scholes Model at the time of grant.

### Liquidity and Capital Resources

As of December 31, 2018, the Company reported cash of \$5,314,938 (December 31, 2017 - \$3,813,666) and working capital of \$7,041,747 (December 31, 2017 - \$4,672,392).

Given the nature of the Company's operations, which consists of investing in applicants for medical marijuana licences, the most relevant financial information relates primarily to current liquidity, solvency, and planned expenditures. The Company's financial success is dependent upon the extent to which it can complete the facility build out to obtain a medical marijuana license. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine.

**LATEST OUTSTANDING SHARE DATA**

The following is the latest share data as of April 29, 2019.

Common shares at December 31, 2018	300,440,909
Issued for settlement of debt subsequent to December 31, 2018	3,588,888
Issued for warrants exercised subsequent to December 31, 2018	<u>10,625,068</u>
Common shares issued at April 29, 2019	<u>314,654,865</u>
Stock options at December 31, 2018	30,000,000
Less stock options expired subsequent to December 31, 2018	(1,700,000)
Plus stock options granted subsequent to December 31, 2018	<u>1,850,000</u>
Stock options outstanding at April 29, 2019	<u>30,150,000</u>
Warrants at December 31, 2018	28,149,068
Less warrants exercised subsequent to December 31, 2018	(10,625,068)
Less warrants expired subsequent to December 31, 2018	<u>(11,904,000)</u>
Warrants outstanding at April 29, 2019	<u>5,620,000</u>
Fully diluted at December 31, 2018	<u>358,589,977</u>
Fully diluted at April 29, 2019	<u>350,424,865</u>

**OFF BALANCE SHEET TRANSACTIONS**

The Corporation has not entered into any off balance sheet agreements.

**RELATED PARTY TRANSACTIONS**

The following is a summary of transactions with directors and/or officers, and companies controlled by them:

Year ended December 31,	2018	2017
	\$	\$
Director fees – Mr. Deol	16,000	4,500
Director fees – Mr. Bouchard	16,000	3,000
Management fees – Mr. Ziger, CEO	161,000	96,000
Management fees – Mr. Brown, interim CFO	83,000	45,000
Share-based compensation – Mr. Ziger, Director and CEO	892,400	916,456
Share-based compensation – Mr. Deol, Director	446,200	417,991
Share-based compensation – Mr. Bouchard, Director	446,200	403,463
Share-based compensation – Mr. Brown, Director and Interim CFO	892,400	894,473
<b>Total key management compensation</b>	<b>2,953,200</b>	<b>2,780,883</b>
Due from related parties	December 31,	
	2018	2017
	\$	\$
Expense advance – Mr. Ziger, Director and CEO	2,000	2,000
Expense advance – Mr. Brown, Director and Interim CFO	2,000	2,000

Due to related parties	December 31,	
	2018	2017
	\$	\$
Directors fees – Mr. Deol, Director	10,000	-
Directors fees – Mr. Bouchard, Director	10,000	-
Management fees and incurred expenses – Mr. Ziger, Director and CEO	66,476	9,232
Management fees and incurred expenses – Mr. Brown, Director and Interim CFO	35,000	4,487

The following are related party details for shares issued for debt during the year ended December 31, 2018:

	Shares	Average Unit Price	Fair Value
	#	\$	\$
Management fees – Mr. Ziger, Director and CEO	296,104	0.30	88,000
Management fees – Mr. Brown, Director and Interim CFO	166,233	0.29	48,000
	462,337		136,000

The following are related party details for shares issued for debt during the year ended December 31, 2017:

	Shares	Average Unit Price	Fair Value
	#	\$	\$
Management fees – Mr. Ziger, Director and CEO	4,571,429	0.021	96,000
Management fees – Mr. Brown, Director and Interim CFO	2,085,714	0.022	45,000
Director fees – Mr. Deol, Director	85,714	0.035	3,000
	6,742,857		144,000

Due to related parties include payables to directors and/or officers in the amount of \$121,476 (2017 - \$13,719). These amounts are unsecured and non-interest bearing.

During the year ended December 31, 2018, the Company issued 462,337 common shares valued at \$136,000 to two directors and/or officers in lieu of their 2018 compensation.

## TRANSACTIONS RELATED TO SHARE ISSUES AND POTENTIAL SHARE ISSUES

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 (based on the quoted market price on the date of issuance).

In January 2018, the Company granted 2,500,000 stock options to two consulting companies. The options are exercisable at a price of \$0.58 for a period of six months expiring in July 8, 2018. The options vested immediately on the date of grant.

In February 2018, the Company granted 4,000,000 stock options to two consulting companies. The options are exercisable at a price of \$0.32 per share for a period of six months expiring in August 3, 2018. The options vested immediately on the date of grant.

In March 2018, the Company granted 7,750,000 stock options to four directors and/or officers, two consultants and a consulting company. The options are exercisable at \$0.35 of which 7,250,000 expire on March 23, 2021, and 500,000 expire on September 23, 2018. The options vested immediately on the date of grant.



In April 2018, the Company closed a private placement for 1,500,000 units at \$0.35 for net 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, with a value of \$42,000.

In May 2018, the Company issued 290,908 common shares (valued at \$64,000) to two directors and officers in lieu of a portion of their 2018 compensation. The Company also issued 150,000 common shares to a service provider as settlement of \$33,000 of debt (based on the quoted market price on the date of issuance).

In August 2018, the Company granted 8,200,000 stock options to four directors and/or officers and five consultants. The options are exercisable at \$0.175 of which 7,000,000 expire on August 23, 2021, and 1,200,000 expire on January 23, 2019.

In October 2018, the Company closed a private placement for 4,000,000 units at \$0.125 for gross proceeds of \$500,000. Each unit consists of a common share and a share purchase warrant exercisable at \$0.205 for five years following the closing date.

In October 2018, the Company granted 1,450,000 stock options to two consulting companies. The options are exercisable at \$0.195 per share for a period of seven months expiring on May 15, 2019.

In December 2018, the Company granted 500,000 stock options to a consulting company. The options are exercisable at \$0.10 per share for a period of seven months expiring on July 30, 2019. The options vested 50% on the date of grant; 25% in three months; and the remaining 25% in six months.

For the year ended December 31, 2018, 22,525,667 common shares were issued on exercise of warrants for cash proceeds of \$2,509,386.

For the year ended December 31, 2018, 6,800,000 common shares were issued on exercise of stock options for cash proceeds of \$2,892,000.

Transactions subsequent to December 31, 2018:

In January 2019, 3,588,888 common shares valued at \$0.09 were issued as settlement of 2018 bonuses and 6 months of 2019 compensation to four directors, two of whom are officers, and one consultant.

Subsequent to December 31, 2018, 10,625,068 warrants were exercised for proceeds of \$1,049,628.

Subsequent to December 31, 2018, 11,904,000 warrants expired unexercised.

Subsequent to December 31, 2018, the Company granted 1,750,000 stock options to five consultants. The options are exercisable at a price of \$0.13 per share for a period of one year expiring in February 2020.

Subsequent to December 31, 2018, the Company granted 100,000 stock options to two consultants. The options are exercisable at a price of \$0.11 per share for a period of one year expiring in March 2020.

Subsequent to December 31, 2018, 1,700,000 stock options were cancelled/expired.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from

other sources. Significant areas requiring the use of management judgement and estimates include the determination of impairment of exploration and evaluation assets and financial instruments, decommissioning liabilities, deferred income tax assets and liabilities, assumptions used in valuing options in share-based payment calculations, indemnification provision for flow-through shares and interest and penalties of flow-through shares, and determination of control in investment in associates. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Under IFRS 2 - Share-based Payments, stock options are accounted for by the fair value method of accounting. Under this method, the Company is required to recognize a charge to the statement of loss based on an option-pricing model based on certain assumptions including dividends to be paid, historical volatility of the Company's share price, an annual risk free interest rate, forfeiture rates, and expected lives of the options.

### ADOPTION OF NEW PRONOUNCEMENTS

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018. There were no effects on opening balances at January 1, 2018 with respect to the adoption of these policies.

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets. The standard is applied only to financial instruments held as at January 1, 2018. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The following table presents the types of financial instruments held by the Company as at January 1, 2018 within each financial instrument classification under IAS 39 and IFRS 9:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
<b>Financial assets</b>		
Cash	FVTPL	FVTPL
Cash equivalents	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Flow-through renunciation obligations	Other financial liabilities	Amortized cost

## 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, 2019:

**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.

**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.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

### Classification

Financial instruments are classified into one of five categories: 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, and due to related parties are classified as other financial liabilities.

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

	2018	2017
	\$	\$
FVTPL (i)	7,126,188	4,863,666
Short-term loans	105,250	-
Other financial liabilities (ii)	283,368	150,152

(i) Cash and cash equivalents, and marketable securities

(ii) Accounts payable and accrued liabilities, due to related parties, and flow-through renunciation obligations.

#### Fair value

As at December 31, 2018, the Company's financial instruments consist of cash and cash equivalents, accounts payable and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

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

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

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

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

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

At December 31, 2018:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	5,314,938	-	-	5,314,938
Marketable securities	1,811,250	-	-	1,811,250
Convertible debenture	-	-	1	1

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

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.

A summary of the changes in financial instruments classified as Level 3 for the years ended December 31, 2018 and 2017 is presented below:

	2018	2017
	\$	\$
Opening balance	1,050,000	-
Additions	656,000	1,050,000
Fair value adjustment	(655,999)	
Transfers out	(1,050,000)	-
Ending balance	1	1,050,000

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
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.

#### Foreign exchange risk

The Company has limited foreign exchange risk as the majority of its transactions are in Canadian dollars. Foreign currency transactions are recorded in Canadian dollars based upon the 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.

## RISK AND UNCERTAINTIES

The development of medical marijuana facilities involves many risks, many of which are outside the Company's control. In addition to the normal and usual risks of project development, the Company may work in remote locations that lack the benefit of infrastructure or easy access.

The economics of developing marijuana facilities are affected by many factors including the cost of operations, variations of the quality of products grown, fluctuations in the price of the products produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting.

### Foreign countries, laws and regulations

The Company has an incorporated subsidiary in Nevada, USA, and is therefore exposed to the laws governing the mining industry in the State of Nevada and the USA.

### Commodity prices

The profitability of the Company's royalty interest, if established, will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, forward sales by producers, production, industrial and jewelry demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political development. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production of the Company's royalty interest to become impractical.

The price of lithium may have an influence on the perceived value of the Company's royalty interests.

## 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, 2018, the Company had unfulfilled CEE obligations of \$42,770 (2017 - \$42,770). As the Company did not fulfill the expenditure obligation, the Company paid \$56,437 as at December 31, 2018 (2017 – accrued \$31,947) 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, 2018, an estimated amount accrued relating to the indemnification on the unfulfilled commitments totalled \$63,683 (2017 - \$85,277). The outcome of the amounts 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. Subsequent to December 31, 2018, the Company has paid \$23,114 to investors for reassessments for unfulfilled commitments, including penalty and interest.

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.

**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 remaining rental commitment is \$61,558 for 2019, and \$5,130 for 2020.

**DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's Chief Financial Officer and Chief Executive Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures ("the Procedures") which provide reasonable assurance that information required to be disclosed by the Company under provincial or territorial securities legislation (the "Required Filings") is reported within the time periods specified. Without limitation, the Procedures are designed to ensure that material information relating to the Company is accumulated and communicated to management, including its Certifying Officers, as appropriate to allow for timely decisions regarding the Required Filings.

The Company's Certifying Officers are also responsible for establishing and maintaining internal controls over financial reporting ("Internal Controls") and have designed such Internal Controls, or caused it to be designed under their supervision, which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There are inherent weaknesses in the Internal Controls due to the small size of the Company and its inability to segregate incompatible functions. The Company does not have sufficient size and scale to warrant the hiring of additional staff to correct the weakness at this time.

The Certifying Officers evaluate the Company's internal controls on a regular basis and have certified that there was no change in the Company's internal controls during the year ended December 31, 2018 that materially affected, or is reasonably likely to materially affect, the Company's internal controls.

**APPROVAL**

The Board of Directors of Matica Enterprises Inc. has approved the disclosure contained in this MD&A on April 29, 2019. A copy of this MD&A will be provided to anyone who requests it and can be obtained, along with additional information, under the Company profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).