



MATICA ENTERPRISES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE TO READER

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

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

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

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

	Notes	September 30, 2019	December 31, 2018
			(Audited)
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	10	3,713,842	5,314,938
Marketable securities	4,10	316,540	1,811,250
Accounts receivable		60,983	16,244
Prepaid expenses		109,378	77,433
Short term loans	5(e),10	103,750	105,250
Total current assets		4,304,493	7,325,115
Investment in Trichome	5(c)	250,000	
Investment in RoyalMax	5(b)	7,700,859	6,421,355
Investment in Yunify	5(a),10	1	1
Long term loans	5(d)	2,938,379	982,193
TOTAL ASSETS		15,193,732	14,728,664
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	10	184,467	98,209
Due to related parties	8,10	-	121,476
Flow-through renunciation obligations	11	38,214	63,683
Total current liabilities		222,681	283,368
SHAREHOLDERS' EQUITY			
Share capital	7	26,015,221	24,470,592
Contributed surplus	7	5,375,838	6,075,982
Deficit		(16,420,008)	(16,101,278)
Total shareholders' equity		14,971,051	14,445,296
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,193,732	14,728,664

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
 COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)
 SUBSEQUENT EVENTS (Note 14)

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 28, 2019:

/s/ "Boris Ziger"

Boris Ziger, Director

/s/ "Gurcharn Deol"

Gurcharn Deol, Director

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

MATICA ENTERPRISES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	Three Months Ended		Nine Months Ended	
		September 30		September 30	
		2019	2018	2019	2018
		\$			\$
GENERAL AND ADMINISTRATIVE EXPENSES					
Management and directors' fees	8	67,000	39,000	197,000	117,000
Office and miscellaneous		26,597	12,395	63,211	55,447
Professional fees		60,900	46,300	143,700	159,725
Rent	13	8,267	11,067	37,072	32,150
Share-based compensation	7(d), 8	539,700	1,037,900	656,800	4,164,400
Transfer agent and filing fees		3,115	(1,551)	46,405	20,862
Travel, marketing and promotion		51,701	14,858	179,733	220,855
Total general and administrative expenses		757,280	1,159,969	1,323,921	4,770,439
OTHER INCOME (EXPENSES)					
Other income		28,443	14,891	63,562	23,891
Realized gain on marketable securities	4	-	-	627,662	-
Unrealized gain (loss) on marketable securities	4	(130,340)	525,000	(1,042,977)	1,575,000
Total other income (expenses)		(101,897)	539,891	(351,753)	1,598,891
NET LOSS AND COMPREHENSIVE LOSS		859,177	(620,078)	1,675,674	(3,171,548)
LOSS PER SHARE - BASIC AND DILUTED		(0.00)	(0.00)	(0.01)	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		316,676,904	295,116,670	309,895,216	289,733,693

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

MATICA ENTERPRISES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

		Common shares		Contributed		Shareholders'
	Notes	Shares	Amount	Surplus	Deficit	Equity
		#	\$	\$	\$	(Deficiency)
						\$
Balance, December 31, 2017		264,847,191	16,525,123	3,712,574	(11,760,241)	8,477,456
Private placement units issued for cash, net of issue costs		1,620,000	525,000	-	-	525,000
Options exercised	7(b)	6,800,000	4,209,603	(1,317,603)	-	2,892,000
Options expired/cancelled	7(d)	-	-	(853,965)	853,965	-
Warrants exercised	7(d)	21,435,667	2,400,386	-	-	2,400,386
Shares issued for services	7(b)	648,051	184,000	-	-	184,000
Share-based compensation	7(d)	-	-	4,164,400	-	4,164,400
Net loss		-	-	-	(3,171,548)	(3,171,548)
Balance, September 30, 2018		295,350,909	23,844,112	5,207,541	(14,077,824)	15,471,694
Balance, December 31, 2018		300,440,909	24,470,592	6,075,982	(16,101,278)	14,445,296
Options expired/cancelled	7(d)	-	-	(1,356,944)	1,356,944	-
Warrants exercised	7(b)(c)	10,625,068	1,049,629	-	-	1,049,629
Shares issued for services	7(b)	2,173,914	250,000	-	-	250,000
Shares issued for acquisitions	5(c)	2,716,666	245,000	-	-	245,000
Share-based compensation	7(d)	-	-	656,800	-	656,800
Net loss		-	-	-	(1,675,674)	(1,675,674)
Balance, September 30, 2019		315,956,557	26,015,221	5,375,838	(16,420,008)	14,971,051

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

MATICA ENTERPRISES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Unaudited)
(Expressed in Canadian Dollars)

	Note	Nine Months Ended September 30,	
		2019	2018
		\$	\$
OPERATING ACTIVITIES			
Net loss		(1,675,674)	(3,171,548)
Items not involving cash			
Realized (gain) on marketable securities		(627,662)	-
Unrealized (gain) on marketable securities		1,042,977	(1,575,000)
Share-based compensation		656,800	4,164,400
Shares issued for services		240,000	184,000
Interest income		(51,186)	-
		(414,745)	(398,148)
Changes in non-cash working capital items:			
Accounts receivable		(44,739)	2,746
Prepaid expenses		(31,945)	(18,453)
Accounts payable and accrued liabilities		86,258	(18,479)
Interest and penalty accrual on flow-through shares		(25,469)	-
Cash Used in Operating Activities		(430,640)	(432,334)
INVESTING ACTIVITIES			
Convertible debenture	5(a)	-	(619,000)
Investment in RoyalMax	5(b)	(1,279,504)	(1,872,806)
Secured and unsecured loans	5(d)(e)	(1,898,500)	(983,595)
Sale of marketable securities		1,079,395	-
Cash Used in Investing Activities		(2,098,609)	(3,475,501)
FINANCING ACTIVITIES			
Units issued for cash	7(b)	-	525,000
Exercise of options	7(b)(d)	-	2,892,000
Exercise of warrants	7(b)(c)	1,049,629	2,400,386
Due to related parties		(121,476)	(4,682)
Cash Provided by Financing Activities		928,153	5,812,704
INCREASE IN CASH AND CASH EQUIVALENTS		1,601,096	1,904,869
CASH AND CASH EQUIVALENTS, BEGINNING		5,314,938	3,813,666
CASH AND CASH EQUIVALENTS, ENDING		3,713,842	5,718,535
NON-CASH TRANSACTIONS:			
Shares issued for related parties debt settlement	7(b)	157,000	136,000
Shares issued for vendors debt settlement	7(b)	88,000	48,000
Shares issued for acquisitions	5(c)	250,000	
SUPPLEMENTAL INFORMATION:			
Interest paid		-	-
Income taxes paid		-	-

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

MATICA ENTERPRISES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Unaudited)
(Expressed in Canadian Dollars)

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 its name to Matica Graphite Inc. and traded under the symbol GRF. In July 2014, the Company changed its 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 symbol MMJ. In March 2019, the Company’s common shares were approved for trading on the OTCQB under the symbol MMJFF.

The executive offices of the Company are at Suite 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 (see Note 6). 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 Company has a net loss of \$1,675,674 for the nine months ended September 30, 2019 (2018 - \$3,171,548), an accumulated deficit of \$14,971,051 (December 31, 2018 - \$16,101,278) and working capital of \$4,081,812 (December 31, 2018 - \$7,041,747) 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. 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 unaudited condensed consolidated interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

MATICA ENTERPRISES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION (continued)

These condensed consolidated interim financial statements were approved and authorized for issuance by the Company's Board of Directors on November 28, 2019.

(b) Basis of preparation

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

(c) Consolidation

These condensed consolidated interim financial statements for the nine months ended September 30, 2019 and 2018 include the accounts of Matica, and its 100% wholly owned subsidiaries Ravenline Exploration Ltd. ("Ravenline"); and Nevada subsidiary Ravenline USA Ltd. ("Ravenline USA"). The Company previously held mineral claims to Nevada properties through Ravenline USA.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Please refer to the December 31, 2018 audited financial statements and accompanying notes for a description of the significant accounting policies used by the Company. The policies set out in the Company's December 31, 2018 financial statements were consistently applied to all periods presented unless otherwise noted below. These condensed consolidated interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2018.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of September 30, 2019. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended December 31, 2019 could result in restatement of these interim consolidated financial statements.

(a) Significant accounting judgments, estimates and assumptions

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment

The Company assesses the possibility and amount of any impairment loss or write-down as it relates to its investment in RoyalMax and loans receivable. Such estimates and assumptions primarily relate to the timing and amount of future cash flows.

IFRS 9, "Financial Instruments", requires management to use judgment in determining whether the Company's financial assets require a provision for impairment. The Company's financial assets are subject to the ECL model whereby the Company estimates on a forward looking basis possible default scenarios and establishes a provision matrix that considers various factors including industry and sector performance, economic and technological changes and other external market indicators.

IAS 36, "Impairment of Assets", requires management to use judgment in determining the recoverable amount of non-financial assets tested for impairment. Judgment is involved in estimating the fair value less the cost to sell or value-in-use of the cash generating units ("CGUs"), including estimates of growth rates, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

Valuation of Financial Instruments

The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its investment in convertible debenture, investments in securities not quoted in an active market or private company investments, and loans receivable. The fair values 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.

There are no quoted prices in an active market for the loans receivable or convertible debenture. The Company determines fair value based on its assessment of the current lending market for investments having the same or similar terms, and other available information. The critical assumptions underlying the fair value measurements and disclosures include the market interest rates for similar loans and convertible debentures. The market interest rates were determined taking into consideration similar instruments with corresponding maturity dates, plus a credit adjustment in accordance with the borrower's creditworthiness as well as considering the risk characteristic of the underlying development and the value of the properties that the loans are secured by.

The secured loan carried at amortized cost has low credit risk and the expected credit loss has been assessed to be nominal due to the value of the collateralized properties.

For certain financial instruments, including amounts receivable, accounts payable and accrued liabilities, due to related parties and flow-through renunciation obligations, the carrying amounts approximate fair values due to their immediate or short-term maturity.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 renunciation obligations.

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

Income, Value Added, Withholding and Other Taxes

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

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

(b) Adoption of new pronouncements

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) FVTPL or 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
Financial assets		
Cash	FVTPL	FVTPL
Cash equivalents	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Loans	Loans and receivables	Amortized cost
Financial liabilities		
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

(c) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 May 2017, the Company received 350,000 common shares of Cultivator Catalyst Corp. ("CCC"), a private company, at a deemed value of \$350,000 based upon a \$1.00 per share financing completed by CCC. 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 of CCC were received at a deemed value of \$350,000 based upon a \$2.00 per share financing completed by CCC in December 2017. The 525,000 shares were exchanged for 2,625,000 shares of Biome Grow Inc. which became listed and trading on the CSE in October 2018.

During the nine months ended September 30, 2019, the Company sold 1,694,000 shares for net proceeds of \$1,079,395. The value of the remaining 931,000 shares was adjusted to \$316,540 to reflect the quoted market value at September 30, 2019.

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5. OTHER INVESTMENTS

(a) Yunify Natural Technologies

In March 2018, the Company signed a definitive agreement with Yunify Natural Technologies (“Yunify”), a privately held, Quebec based health and personal care research and innovation technology company. The Company has subscribed for a \$2,000,000 (\$600,000 paid on signing) convertible debenture bearing interest at 12% per annum as amended in March 2019. The next \$400,000 may be drawn upon submission by Yunify 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 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 conversion 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 conversion date at an exercise price of \$0.50 per warrant. By fully exercising the warrants, the Company may acquire up to a 40% interest in Yunify.

In March 2019, the Company granted a one-year extension on the debenture maturity with Yunify in exchange for an interest increase from 0.5% per month to 1% per month (12% per annum) retroactive to March 2018. The investment is being reported at a \$1 nominal value based on management’s estimate of its fair value.

(b) RoyalMax Biotechnology Canada Inc.

In March 2017, the Company signed a letter of intent (“LOI”) with RoyalMax Biotechnology Canada Inc. “RoyalMax”, an arm’s 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 will then be issued an additional 5% interest In Trust for making a payment of \$400,000 (paid in advance in 2018) within 30 days of notification of licensing by Health Canada. This additional 5% In Trust will be released upon the final payment of \$400,000 which will become due after twelve months of production at the facility.

In October 2018, the Dorval facility received a cultivation licence from Health Canada. Upon receipt of a selling license, the Company will receive the initial 65% interest in RoyalMax.

	RoyalMax, Quebec \$
Balance, December 31, 2017	3,805,064
Funding of facility	2,616,291
Balance, December 31, 2018	6,421,355
Funding of facility	1,279,504
Balance, September 30, 2019	7,700,859

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5. OTHER INVESTMENTS (continued)

(c) Investment in Trichome

In May 2019, the Company issued 1,086,957 shares with a fair value of \$125,000 as part of the \$500,000 purchase price to acquire a 100% interest in Trichome Treats Inc. and 10406619 Canada Inc. (together as "Trichome"). In August 2019, the Company again issued 1,086,957 shares with a fair value of \$125,000 as part of the acquisition. An additional 2,173,912 shares are due in two remaining installments based upon completion of future milestones. The Company intends to work with Trichome to produce edible cannabis infused products.

(d) Secured loan to 93802601 Quebec Inc.

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 payable on demand balance at September 30, 2019 was \$2,938,379.

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.

(e) Unsecured loan to Capital NX Phase Inc.

In September 2018, the Company made a \$100,000 unsecured loan to Capital NX Phase Inc. ("Capital NX"), with a March 14, 2019 maturity date. In March 2019, the Company granted a six-month loan extension to Capital NX in exchange for an interest rate increase from 1% per month to 1.5% per month (18% per annum) retroactive to September 2018. As at September 30, 2019, the Company has accrued \$3,750 in unpaid interest.

6. EXPLORATION AND EVALUATION ASSETS

Clayton Valley, Nevada

In February 2016, the Company acquired a lithium property in the Clayton Valley, Nevada. 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.

7. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

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7. SHARE CAPITAL (continued)

(b) Issued and outstanding

Shares issued for the year ended December 31, 2018:

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.

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 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 issued an additional 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 their remaining 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 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.

Shares issued for the nine months ended September 30, 2019:

In January 2019, the Company issued 2,666,666 common shares (valued at \$240,000) to four directors, two of whom are officers, for settlement of 2018 bonuses and six months of their 2019 compensation. During the period, 922,222 of these shares were returned to treasury and the debt was settled in cash.

In January 2019, the Company also issued 922,222 common shares to a service provider as settlement of \$83,000 of debt (based on the quoted market price on the date of issuance).

In January 2019, 10,625,068 warrants were exercised for proceeds of \$1,049,629.

In May 2019, the Company issued 1,086,957 common shares (valued at \$125,000) for the acquisition of Trichome (based on the quoted market price on the date of issuance). The Company issued a second installment of 1,086,957 common shares (valued at \$125,000) in August 2019. See Note 5(c).

In May 2019, the Company also issued 50,000 common shares to a service provider as settlement of \$5,000 of debt (based on the quoted market price on the date of issuance).

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7. SHARE CAPITAL (continued)

(c) Share purchase warrants

A summary of the changes in the Company's warrants for the nine months ended September 30, 2019 is presented below:

	Number of warrants	Weighted average exercise price
		\$
Balance, December 31, 2017	45,128,735	0.11
Issued	5,620,000	0.28
Exercised	(22,525,667)	(0.11)
Expired or cancelled	(74,000)	(0.15)
Balance, December 31, 2018	28,149,068	0.13
Exercised	(10,625,068)	(0.10)
Expired or cancelled	(11,904,000)	(0.10)
Balance, September 30, 2019	5,620,000	0.28

In March 2018, 74,000 warrants exercisable at \$0.15 expired unexercised.

In January 2019, 11,804,000 warrants exercisable at \$0.10 and 100,000 warrants exercisable at \$0.05 expired unexercised.

The following table summarizes the share purchase warrants outstanding and exercisable as at September 30, 2019:

Exercise price	Expiry date	Number of warrants
\$ 0.45	04/11/2020	1,620,000
\$ 0.205	10/19/2023	4,000,000
		5,620,000

As at September 30, 2019, 5,620,000 warrants (2018 - 25,239,068 warrants) with a weighted average remaining contractual life of 3.04 years (2018 - 0.36 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.

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7. SHARE CAPITAL (continued)

A summary of the changes in the Company's stock options for the nine months ended September 30, 2019 is presented below:

	Number of options	Weighted average exercise price
		\$
Balance, December 31, 2017	18,250,000	0.30
Options granted	26,400,000	0.30
Options exercised	(6,800,000)	(0.43)
Options cancelled or expired	(7,850,000)	(0.38)
Balance, December 31, 2018	30,000,000	0.25
Options granted	10,400,000	0.08
Options cancelled or expired	(12,650,000)	(0.17)
Balance, September 30, 2019	27,750,000	0.23

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

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

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 expired on September 23, 2018.

In July 2018, the Company granted 2,000,000 stock options exercisable at \$0.35 to a consultant. The options were cancelled in October 2018 due to the termination of the consulting agreement.

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 expired on January 23, 2019.

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

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 from date of grant.

In February 2019, 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 on February 4, 2020.

In March 2019, 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 on March 11, 2020.

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7. SHARE CAPITAL (continued)

In July 2019, the Company granted 8,550,000 stock options to three directors and/or officers and three consultants. The options are exercisable at a price of \$0.075 per share of which 7,500,000 expire on July 12, 2024, and 1,050,000 on July 12, 2020.

During the nine months ended September 30, 2019, 12,650,000 options were cancelled/expired unexercised.

All options granted above vested immediately on the date of grant unless noted otherwise.

The weighted average grant date fair value of stock options granted during the nine months ended September 30, 2019 was \$0.06 (2018 - \$0.185).

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

Issue date	July 12, 2019	July 12, 2019	March 11, 2019	February 4, 2019	December 11, 2018
Share price	\$0.075	\$0.075	\$0.11	\$0.13	\$0.10
Risk free interest rate	1.45%	1.52%	1.67%	1.81%	2.06%
Expected dividend yield	0%	0%	0%	0%	0%
Expected volatility	140%	140%	140%	140%	140%
Expected life	5 years	1 years	1 years	1 years	0.6 years

Issue date	October 15, 2018	August 23, 2018	August 23, 2018	July 3, 2018	March 23, 2018
Share price	\$0.195	\$0.175	\$0.175	\$0.35	\$0.35
Risk free interest rate	2.26%	2.14%	2.16%	1.90%	1.80%
Expected dividend yield	0%	0%	0%	0%	0%
Expected volatility	105%	140%	166%	115%	140%
Expected life	0.6 years	0.5 years	3 years	0.2 years	0.5 years

Issue date	March 23, 2018	February 3, 2018	January 3, 2018
Share price	\$0.35	\$0.32	\$0.58
Risk free interest rate	1.92%	1.81%	1.73%
Expected dividend yield	0%	0%	0%
Expected volatility	163%	159%	140%
Expected life	3 years	0.5 years	0.5 years

The following table summarizes the options outstanding and exercisable as at September 30, 2019:

Exercise price	Expiry date	Number of options
\$ 0.16	11/24/2020	100,000
\$ 0.42	12/24/2020	5,000,000
\$ 0.35	03/23/2021	6,250,000
\$ 0.175	08/23/2021	6,000,000
\$ 0.13	02/04/2020	1,750,000
\$ 0.11	03/11/2020	100,000
\$ 0.075	07/12/2020	1,050,000
\$ 0.075	07/12/2024	7,500,000
		27,750,000

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7. SHARE CAPITAL (continued)

As at September 30, 2019, 27,750,000 options (2018 - 28,050,000) with a weighted average remaining contractual life of 2.57 years (2018 - 2.04 years) were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each option held (see Note 14(a)).

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 September 30, 2019 of \$Nil (December 31, 2018 - \$121,476). These amounts are unsecured, due on demand and non-interest bearing.

During the nine months ended September 30, 2019, the Company issued 1,744,444 (2018 – 462,337) common shares valued at \$240,000 (2018 - \$136,000) to four directors and/or officers in lieu of a portion of their 2019 compensation and settlement of 2018 bonuses. During the period, shares paid for debt to the interim CFO were recovered into treasury and the debt was settled in cash. See Note 14(b).

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 nine months ended September 30, 2019 and 2018. Short-term key management compensation for the nine months ended September 30, 2019 and 2018 are as follow:

	2019	2018
	\$	\$
Director fees	17,000	9,000
Management fees, paid to officers and directors	180,000	108,000
Share-based compensation to officers and directors	498,800	2,460,828
Total key management compensation	695,800	2,577,828

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 of its investment in RoyalMax.

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, 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.

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10. FINANCIAL INSTRUMENTS AND RISK

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:

	September 30, 2019	December 31, 2018
	\$	\$
FVTPL (i)	4,030,382	7,126,188
Short-term loans	103,750	105,250
Other financial liabilities (ii)	222,681	283,368

(i) Cash and cash equivalents, and marketable securities

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

Fair value

As at September 30, 2019, the Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities, and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

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

At September 30, 2019:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	3,713,842	-	-	3,713,842
Marketable securities	316,540	-	-	316,540
Convertible debenture	-	-	1	1

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

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10. FINANCIAL INSTRUMENTS AND RISK (continued)

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 nine months ended September 30, 2019 is presented below:

	\$
Balance, December 31, 2017	1,050,000
Additions	656,000
Fair value adjustment	(655,999)
Transfers out	(1,050,000)
Balance, December 31, 2018 and September 30, 2019	1

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 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 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.

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11. 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 September 30, 2019, the Company had unfulfilled CEE obligations of \$42,770 (2018 - \$42,770). As the Company did not fulfill the expenditure obligation, the Company paid \$56,437 in 2018 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 September 30, 2019, an estimated amount accrued relating to the indemnification on the unfulfilled commitments totalled \$38,214 (December 31, 2018 - \$63,683). 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.

12. 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 \$15,389 for 2019, and \$5,130 for 2020.

13. SEGMENT DISCLOSURE

Geographic Information

The Company's assets at September 30, 2019 and 2018 were based solely in Canada.

Operating Segments

During the nine months ended September 30, 2019, the Company operates in the health related sector and is investing in an ACMPR applicant in Quebec, Canada (see Note 5(b)). The Company continues to hold a royalty on a Nevada Lithium property carried at \$nil value as at September 30, 2019 (see Note 6).

14. SUBSEQUENT EVENTS

- a) Subsequent to September 30, 2019, the Company granted 2,250,000 stock options to three consultants, one of whom is a related party. The options are exercisable at \$0.035 and expire on October 31, 2024.
- b) In October 2019, George A. Brown retired as interim CFO and director of the Company.