MATICA

MATICA ENTERPRISES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

Date of Report: May 31, 2021

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, 2020 with comparisons to 2019. This MD&A should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 2020. Additional information relevant to the Company is available for review on SEDAR at 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 Stock Exchange ("CSE") 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's subsidiary holds a cultivation license, a standard processing license, and a license for sale of marijuana for medical purposes granted by Health Canada. The Company has also been granted an amendment to its sales license which permits for the sale of cannabis products to all authorized provincial and territorial distributors/retailers. With the amendment to the sales license, the focus of the Company will be on recreational sales of cannabis rather than medical.

HIGHLIGHTS OF COMPANY ACTIVITIES

Corporate Activities:

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. In February 2020, RoyalMax received a Standard Processing License and a Sales For Medical Purposes License from Health Canada. As a result, Matica completed its acquisition of RoyalMax and received the 70% of shares held in trust. In November 2020, Matica received 100,000 shares of RoyalMax as shares for debt, increasing ownership to 99.97%.

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 were listed on the CSE in October 2018. In 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 $41,895 to reflect the quoted market value at December 31, 2020.

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 as amended in March 2019 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 accepted 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. In March 2020, the debenture agreement was extended by another 12 months to March 2021 at an interest rate of 12% per annum.

In May 2019, the Company issued 1,086,957 shares with a fair value of $97,826 as part of the $500,000 purchase of a 100% interest in Trichome Treats Inc. and 10406619 Canada Inc. (together "Trichome"). The second instalment of 1,086,957 shares with a fair value of $65,217 were issued in August 2019. An additional 2,173,912 shares are due in two future installments based upon completion of milestones.

In May 2020, the Company and 93802601 Quebec Inc. ("Quebec Inc.") entered into agreements whereby the Company had the option to purchase all of the issued and outstanding common shares of Quebec Inc. for the sum of $40,000, and paid such at the same date. Quebec Inc. holds an agricultural property on which it intends to develop for cannabis growing purposes. Prior to the acquisition, the Company made available to Quebec Inc., a $3,000,000 revolving line of credit secured by a mortgage of $3,000,000 registered against the agricultural property. The loan accrues interest at 5% per annum and is payable on demand. The proceeds of the line of credit were to be used to develop the agricultural property. Effective May 19, 2020, the Company can exercise its option to acquire all of the issued and outstanding shares of Quebec Inc. for no additional consideration and accordingly, the Company was determined to have acquired control of Quebec Inc. on this date. Subsequently, it was determined that the construction of outdoor greenhouses was no longer determined to be economically viable, and accordingly the Company recognized a loss on acquisition.

In July 2020, Mr. Ali Gerba joined the board of directors.

OUTLOOK

Matica had completed the required build out of a 10,000 square foot cannabis cultivation facility in Dorval, Quebec and had began growing operations after RoyalMax was granted a Standard Cultivation Licence in November 2018. In February 2020, the Company earned its 65% interest in RoyalMax when RoyalMax received a standard processing license from Health Canada and a license for sale for medical purposes. The Company also obtained the additional 5% for having paid $150,000 of the final cash payment of $400,000 in advance ($250,000 to be paid as at December 31, 2020). RoyalMax received approval from Health Canada for its amended license to sell dried and fresh cannabis in September 2020. The sales license allows for the sale of cannabis products to authorized provincial and territorial distributors/retailers and registered medical patients in Canada.

In 2020 the Company began full scale cannabis growing operations. The facility at Dorval produced 684,685 grams of dried flower, 458,037 grams of dried trim and 39,059 gram of dried kief. Packaging equipment and operations were installed in anticipation of sales beginning in the first quarter of 2021. The Company has filed trademark applications for different brands under which cannabis will be sold.

The marijuana market has evolved rapidly since the legalization of recreational marijuana in October 2018. The estimated retail market 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, 2020, the Company had cash and other current assets totalling $4,593,566 (December 31, 2019 - $3,417,210) and working capital of $3,846,730 (December 31, 2019 - $3,301,658). For the year ended December 31, 2020, the Company incurred $1,578,846 (2019 - $1,378,413) 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, 2020, 2019, and 2018:

	2020	**2019**	**2018**
	$	$	$
Total Revenues	121,416	-	-
Net (Loss)	(8,513,590)	(1,976,306)	(5,261,462)
Basic and diluted loss per share	(0.03)	(0.01)	(0.02)
Total Assets	9,352,258	14,972,461	14,728,664
Total Long Term Liabilities	1,206,943	167,447	-

FINANCIAL RESULTS

Summary of Quarterly Results

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

Quarterly Information	Revenue	Net (Loss) attributable to shareholder of the Company	Basic and diluted (loss) per common share
	$	$	$
December 31, 2020	-	(7,862,733)	(0.02)
September 30, 2020	-	(220,990)	(0.00)
June 30, 2020	-	(199,824)	(0.00)
March 31, 2020	-	(230,043)	(0.00)
December 31, 2019	-	(300,632)	(0.00)
September 30, 2019	-	(859,177)	(0.00)
June 30, 2019	-	(379,198)	(0.00)
March 31, 2019	-	(437,299)	(0.00)

Comparison of operating results

Quarterly Information

	Three Months Ended December 31,	
	2020	**2019**
	$	$
Revenue		
Sales	**34,828**	-
Cost of goods sold	**(223,690)**	-
Gross profit (loss)	**(188,862)**	**-**
General and administrative expenses		
Depreciation	**50,450**	34,231
Management and director's fees	**105,707**	(13,145)
Office and general	**36,046**	(6,669)
Professional fees	**95,215**	(31,071)
Share-based compensation	**226,400**	106,000
Transfer agent and filing fees	**5,225**	9,644
Travel, marketing and promotion	**12,098**	(44,498)
Total general and administrative expenses	**531,141**	54,492

Comparison of results for the three months ended December 31, 2020 and 2019:

Results for the three months ended December 31, 2020 include that of RoyalMax which had a net loss of $289,427. During the period, RoyalMax made bulk sales of dry cannabis to another licensed producer.

Share-based compensation increased by $120,400 in 2020 as the Company granted 6,750,000 more options during the period. Other general and administrative expenses increased by $356,249, including an increase in management fees and professional fees of $245,138 as additional personnel were hired for the operations of RoyalMax.

	Years Ended December 31,	
	2020	**2019**
	$	$
Revenue		
Sales	**121,416**	**-**
Cost of goods sold	**(305,766)**	**-**
Gross profit (loss)	**(184,350)**	**-**
General and administrative expenses		
Depreciation	**113,341**	34,231
Management and director's fees	**367,707**	183,855
Office and general	**210,342**	93,614
Professional fees	**464,009**	112,629
Share-based compensation	**305,900**	762,800
Transfer agent and filing fees	**40,388**	56,049
Travel, marketing and promotion	**77,159**	135,235
Total general and administrative expenses	**1,578,846**	1,378,413

Comparison of results for the year ended December 31, 2020 and 2019:

Results of for the year ended December 31, 2020 include that of RoyalMax from the February 11, 2020 acquisition date. During this period, RoyalMax had a net loss of $515,519. RoyalMax received a sales license in 2020 and has commenced sales of bulk dry cannabis to other licensed producers. Operating results do not show a significant change as RoyalMax operating costs are largely capitalized to biological assets and inventory.

Share-based compensation was $762,800 in 2019 compared to $305,900 in 2020 as the value of options granted were valued higher using the Black-Scholes option pricing model in 2019 given the higher share price. Other general and administrative expenses increased by $657,333, including an increase in management and professional fees of $535,232 as additional personnel were hired for the operations of RoyalMax.

Other general and administrative costs and depreciation expense increased while travel, marketing and promotion costs decreased by $58,076 as the Company did not engage in additional marketing efforts and reduced travel due to COVID-19.

Liquidity and Capital Resources

As of December 31, 2020, the Company reported cash and cash equivalents of $1,032,481 (December 31, 2019 - $1,595,110) and working capital of $3,846,730 (December 31, 2019 - $3,301,658).

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 ability to make sales and generate revenue in the future.

LATEST OUTSTANDING SHARE DATA

The following is the latest share data as of May 31, 2021.

Common shares outstanding at December 31, 2020	315,423,945
Plus shares issued subsequent to December 31, 2020	5,950,568
Common shares outstanding at May 31, 2021	321,374,513
Stock options outstanding at December 31, 2020	20,850,000
Plus options granted subsequent to December 31, 2020	7,500,000
Less stock options exercised subsequent to December 31, 2020	(2,000,000)
Stock options outstanding at May 31, 2021	26,350,000
Warrants outstanding at December 31, 2020	4,000,000
Plus warrants issued subsequent to December 31, 2020	3,809,523
Warrants outstanding at May 31, 2021	7,809,523
Fully diluted at December 31, 2020	340,273,945
Fully diluted at May 31, 2021	355,534,036

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:

Years ended December 31,	2020	2019
	$	$
Director fees – Mr. Deol, Director	-	9,000
Director fees – Mr. Panah, Director	12,000	7,000
Director fees – Mr. Mundi, Director	20,000	-
Director fees – Mr. Gerba, Director	15,000	-
Director fees – Mr. Bouchard, Former Director	-	4,000
Management fees – Mr. Ziger, CEO	144,000	72,000
Management fees – Mr. Deol, CFO	88,000	16,000
Management fees – Mr. Brown, Former Interim CFO	-	75,855
Management fees – Mr. Panah, Director	60,000	-
Share-based compensation – Mr. Mundi, Director	22,089	-
Share-based compensation – Mr. Gerba, Director	22,089	-
Share-based compensation – Mr. Ziger, Director and CEO	110,438	232,773
Share-based compensation – Mr. Deol, Director and CFO	33,131	-
Share-based compensation – Mr. Panah, Director	-	66,507
Share-based compensation – Mr. Brown, Former Director and Interim CFO	-	199,520
Total key management compensation	526,747	682,655

Due from related parties	As at December 31,	
	2020	2019
	$	$
Expense advance – Mr. Ziger, Director and CEO	2,000	2,000

Due to related parties	As at December 31, 2020	2019
	$	$
Fees and incurred expenses – Mr. Deol, Interim CFO	40	-
Fees and incurred expenses – Mr. Mundi, Director	5,000	-
Fees and incurred expenses – Mr. Panah, Director	7,075	-
Fees and incurred expenses – Mr. Ziger, Director	1,881	-

The following are related party details for shares issued for debt during the year ended December 31, 2020:

	Shares	Average Unit Price	Fair Value
	#	$	$
Director fees – Mr. Mundi, Director	142,857	0.035	5,000

The following are related party details for shares issued for debt during the year ended December 31, 2019:

	Shares	Average Unit Price	Fair Value
	#	$	$
Management fees – Mr. Ziger, Director and CEO	1,522,222	0.09	137,000
Director fees – Mr. Deol, Director	111,111	0.09	10,000
Director fees – Mr. Bouchard, Director	111,111	0.09	10,000
	1,744,444		157,000

Due to related parties include payables to directors and/or officers in the amount of $13,996 (December 31, 2019 - $nil). These amounts are unsecured and non-interest bearing.

TRANSACTIONS RELATED TO SHARE ISSUES AND POTENTIAL SHARE ISSUES

In January 2020, the Company issued 2,657,143 common shares to management and a consultant for 2020 compensation and fees.

In April 2020, 1,620,000 broker warrants exercisable at $0.45 expired unexercised.
In July 2020, the Company granted 2,000,000 and 1,600,000 stock options to two directors and three consultants, respectively. The options are exercisable at a price of $0.025 per share for a period of five years expiring on July 2, 2025.

In October 2020, the Company granted 6,500,000 and 3,750,000 stock options to two directors and four consultants, respectively. The options are exercisable at a price of $0.025 per share for a period of five years expiring on October 8, 2025.

During the year ended December 31, 2020, 24,050,000 stock options were cancelled/expired unexercised.

EVENTS SUBSEQUENT TO DECEMBER 31, 2020

Subsequent to December 31, 2020, 2,000,000 stock options were exercised for gross proceeds of $50,000.

Subsequent to December 31, 2020, the Company granted 7,500,000 stock options at a price of $0.05 for a period of five years expiring in 2026.

In February 2021, the Company closed a private financing for gross proceeds of $200,000 by issuing 3,809,523 units at $0.0525 per unit. Each unit consists of one common share and one warrant exercisable at $0.0875 to February 23, 2026.

In March 2021, the Company issued 141,045 common shares to a service provider as a settlement of $8,500 of debt (based on the quoted market price on the date of issuance).

CRITICAL ACCOUNTING ESTIMATES

The preparation of these consolidated 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 consolidated 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 impairment of investments, loans receivable and non-financial assets, 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, useful life of right of use asset, discount rate and lease terms used in adoption of IFRS 16, determination of control and significant influence, and going concern. 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.

ADOPTION OF NEW PRONOUNCEMENTS

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 were adopted by the Company as of January 1, 2020 and did not have a significant impact on the consolidated financial statements for the year ended December 31, 2020:

IAS 1 Presentation of Financial Statements ("IAS 1") and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

IFRS 3 Business Combinations ("IFRS 3")

IFRS 3 was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarifies that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition, it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

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, 2021:

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.

IAS 1 Presentation of Financial Statements ("IAS 1")

IAS 1 was amended in January 2020 to address inconsistences with how entities apply the standard over classification of current and non-current liabilities. The amendment serves to address whether, in the statement of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

IAS 37 was amended in May 2020 to clarify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. Earlier adoption is permitted.

IAS 16 Property, Plant and Equipment ("IAS 16")

IAS 16 was amended in May 2020 to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. 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

The Company has classified its cash and cash equivalents, short-term investments, marketable securities, and convertible debenture as FVTPL. Loans receivable are classified at amortized cost. Accounts payable and accrued liabilities, and flow-through renunciation obligations are classified as other financial liabilities.

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

	December 31, 2020	December 31, 2019
	$	$
FVTPL (i)	1,429,377	3,249,071
Long-term loans receivable	-	4,993,991
Other financial liabilities (ii)	529,925	91,736

(i) Cash and cash equivalents, short-term investments, marketable securities and convertible debenture.
(ii) Accounts payable and accrued liabilities, and flow-through renunciation obligations.

Fair value

As at December 31, 2020, the Company's financial instruments consist of cash and cash equivalents, short-term investments, marketable securities, accounts payable and accrued liabilities, and flow-through renunciation obligations. The fair values of these financial instruments approximate their carrying values because of their short-term 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, 2020:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	1,032,481	-	-	1,032,481
Short-term investments	355,000			355,000
Marketable securities	41,895	-	-	41,895
Convertible debenture	-	-	1	1

At December 31, 2019:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	1,595,110	-	-	1,595,110
Short-term investments	1,505,000			1,505,000
Marketable securities	148,960	-	-	148,960
Convertible debenture	-	-	1	1

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 and comprehensive loss.

A there were no changes in financial instruments classified as Level 3 for the year ended December 31, 2020 and 2019.

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

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.

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

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

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.

Claims filed by RoyalMax NCI parties
Subsequent to the year ended December 31, 2020, two separate claims were filed by NCI parties of RoyalMax against the Company, disputing among other things, the dilution of their interests in RoyalMax as a result of the debt settlement of $3,270,282. One NCI party also alleged that Matica was not entitled to the additional 5% interest in RoyalMax given the outstanding consideration of $400,000. The NCI parties are seeking payment of the $400,000, annulment of the 100,000 RoyalMax common shares issued to Matica, damages in the aggregate amount of $95,000 and Matica's purchase of one NCI party's interest in RoyalMax at the fair market value. Management believes that the plaintiff's claims are without merit and plans to vigorously oppose these claims.

Claim filed against the Company for trademark infringement
Subsequent to the year ended December 31, 2020, Company was served with a lawsuit claiming trademark infringement. In May of 2020 Matica filed for registration name and logo design. The Company believes that this lawsuit is without merit. The Company will aggressively defend itself, and seek all available remedies under the law.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. The Company would be adversely affected by the loss of services of key personnel and restrictions on cross border trade.

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, 2020, the Company had unfulfilled CEE obligations of $42,770 (2019 - $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 December 31, 2020, an estimated amount accrued relating to the indemnification on the unfulfilled commitments totalled $38,214 (2019 - $38,214). 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.

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 and exercised the renewal option to extend the lease for another 5 years and 2 months. The remaining rental commitment, excluding operating expenses such as common area maintenance fees (which are considered as non-lease component), is $189,545.

As part of RoyalMax acquisition, the Company acquired a lease for land in Dorval, Quebec, on which RoyalMax as lessee built its facility. The lease charges an escalating monthly rent, starting from approximately $6,000 per month, to the end of the first extended term, March 31, 2025, with subsequent renewals through March 31, 2040. The remaining rental commitment is $1,923,043.

The Company is a party to two management and consulting contracts with two key management officers and directors. These contracts contain clauses requiring additional payments of up to $720,000 to be made upon the occurrence of certain events such as a change of control or termination. As of December 31, 2020, no triggering event has occurred, and the contingent payments have not been reflected in the consolidated financial statements.

The Company is also committed to pay a consultant at a monthly rate of $8,000 in cash for the period from January 2021 to February 2022.

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, 2020 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 May 31, 2021. 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.