

VATIC VENTURES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED

FEBRUARY 28, 2019 AND 2018

EXPRESSED IN CANADIAN DOLLARS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Vatic Ventures Corp.

Opinion

We have audited the accompanying consolidated financial statements of Vatic Ventures Corp. (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements which stated that the Company expected to incur further losses and, as at February 28, 2019, the Company had a deficit of \$8,985,170 (February 28, 2018 - \$5,026,169) and a working capital deficiency of \$439,466 (February 28, 2018 - \$868,531). As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

June 28, 2019

VATIC VENTURES CORP.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	February 28, 2019	February 28, 2018
ASSETS		
Current		
Cash	\$ 210,464	\$ -
Amounts receivable	16,589	10,522
Deferred transaction costs (Note 4)	197,457	
Prepaid expenses	-	7,286
	424,510	17,808
Non-current		
Equipment (Note 5)	-	5,333
Deposits (Note 7)	-	49,348
Exploration and evaluation assets (Note 7)	-	1,238,792
Total assets	\$ 424,510	\$ 1,311,281
LIABILITIES		
Current		
Bank indebtedness	\$ -	\$ 88,683
Accounts payable and accrued liabilities (Note 8)	168,961	156,288
Loans payable (Note 9)	-	43,163
Due to third party	47,113	-
Due to related parties (Note 13)	647,902	598,205
Total liabilities	863,976	886,339
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 10)	8,419,541	5,395,805
Subscriptions receivable (Note 10)	(22,500)	(165,000)
Share-based payment reserve (Note 10)	6,527	9,277
Warrant reserve (Note 10)	142,136	57,475
Deficit	(8,985,170)	(5,026,169)
Equity attributable to shareholders	(439,466)	271,388
Non-controlling interest (Note 16)	-	153,554
Total shareholders' equity (deficiency)	(439,466)	424,942
Total liabilities and shareholders' equity (deficiency)	\$ 424,510	\$ 1,311,281

Nature of operations and going concern (Note 1)

Approved by the Board of Directors

"Barry Coughlan"

Director

"Matt Mikulic"

Director

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

VATIC VENTURES CORP.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

	Years ended	
	February 28, 2019	February 28 2018
Expenses		
Amortization (Note 5)	\$ 1,075	\$ 803
Business development	938,177	1,778
Consulting fees	568,570	209,253
Management fees (Note 13)	439,555	168,000
Office and miscellaneous	28,301	25,705
Professional fees	223,346	82,809
Rent	16,428	8,230
Share-based payments	109,705	9,277
Transfer agent and filing fees	63,023	37,036
Travel, meals and entertainment	129,207	155,714
Total expenses	(2,517,387)	(698,605)
Foreign exchange loss	(26,207)	(2,332)
Gain on derecognition of accounts payable (Note 8)	8,900	64,012
Gain on subsidiary disposal (Note 6)	228,552	-
Interest expense (Note 9)	-	(410)
Write down of equipment (Note 5)	(1,478)	-
Loss on settlement of debt	(19,844)	-
Project investigation	(165,312)	-
Write off of exploration and evaluation assets (Note 7)	(1,483,389)	-
	(1,458,778)	61,270
Net and comprehensive loss for the year	\$ (3,976,165)	\$ (637,335)
Net loss attributable to		
Shareholders of the Company	(3,967,338)	(614,120)
Non-controlling interest	(8,827)	(23,215)
	(3,976,165)	(637,335)
Weighted average number of common shares outstanding (basic and diluted)	25,031,405	11,742,132
Basic and diluted net loss per share	\$ (0.16)	\$ (0.05)

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

VATIC VENTURES CORP.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Number of shares issued	Share Capital	Warrant reserve	Share-based payment reserve	Subscriptions received (receivable)	Deficit	Non-controlling interest	Total
Balance, February 28, 2017	9,840,991	\$ 4,538,763	\$ 67,162	\$ 65,630	\$ 114,200	\$ (4,477,679)	\$ 176,769	\$ 484,845
Net loss for the year	-	-	-	-	-	(614,120)	(23,215)	(637,335)
Private placement	5,033,633	883,753	-	-	(114,200)	-	-	769,553
Subscriptions receivable	-	-	-	-	(165,000)	-	-	(165,000)
Warrants exercised	133,333	20,000	-	-	-	-	-	20,000
Share issuance costs	-	(56,398)	-	-	-	-	-	(56,398)
Share-based payments	-	-	-	9,277	-	-	-	9,277
Expiry of options	-	-	-	(65,630)	-	65,630	-	-
Fair value of agent's options granted	-	(20,039)	20,039	-	-	-	-	-
Fair value of agent's warrants granted	-	29,726	(29,726)	-	-	-	-	-
Balance, February 28, 2018	15,007,958	5,395,805	57,475	9,277	(165,000)	(5,026,169)	153,554	424,942

	Number of shares issued	Share Capital	Warrant reserve	Share-based payment reserve	Subscriptions received (receivable)	Deficit	Non-controlling interest	Total
Balance, February 28, 2018	15,007,958	\$ 5,395,805	\$ 57,475	\$ 9,277	\$ (165,000)	\$ (5,026,169)	\$ 153,554	\$ 424,942
Private placement	26,722,252	2,959,423	16,177	-	-	-	-	2,975,600
Share subscription received	-	-	-	-	142,500	-	-	142,500
Share issue costs - cash	-	(169,797)	-	-	-	-	-	(169,797)
Exercise of options	1,300,000	119,100	-	-	-	-	-	119,100
Share for debt settlement	793,757	79,376	-	-	-	-	-	79,376
Stock-based compensation	-	-	-	109,705	-	-	-	109,705
Fair value reversal of options exercised	-	109,807	-	(109,807)	-	-	-	-
Fair value reversal of options cancelled	-	-	-	(8,337)	-	8,337	-	-
Fair value reversal of warrant expired	-	4,749	(4,749)	-	-	-	-	-
Fair value reversal of agent's options granted	-	(5,689)	-	5,689	-	-	-	-
Fair value reversal of agent's warrants granted	-	(73,233)	73,233	-	-	-	-	-
Net loss	-	-	-	-	-	(3,967,338)	(8,827)	(3,976,165)
Deconsolidation of subsidiary	-	-	-	-	-	-	(144,727)	(144,727)
Balance, February 28, 2019	43,823,967	\$ 8,419,541	\$ 142,136	\$ 6,527	\$ (22,500)	\$ (8,985,170)	\$ -	\$ (439,466)

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

VATIC VENTURES CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended	
	February 28, 2019	February 28, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (3,967,338)	\$ (637,335)
Adjustments for:		
Amortization	1,075	803
Foreign exchange	(12,929)	-
Interest expense	-	764
Share-based payments	109,705	9,277
Write down of equipment	1,478	-
Loss on settlement of debt	19,844	-
Gain on derecognition of accounts payable	(8,900)	(64,012)
Gain on subsidiary disposal	(237,380)	-
Write off exploration and evaluation assets	1,483,390	-
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	(6,443)	8,621
Decrease (increase) in prepaid expenses	5,153	24,056
Decrease (increase) in deposits	-	(4,288)
Increase (decrease) in due to related parties	259,013	316,139
Increase (decrease) in accounts payable and accrued liabilities	148,154	(162,267)
Net cash used in operating activities	(2,205,178)	(508,242)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	-	(3,898)
Exploration and evaluation assets	(271,171)	(245,256)
Deferred transaction costs	(198,457)	-
Disposal of subsidiary	(4,287)	-
Net cash used in investing activities	(473,915)	(249,154)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	2,953,100	604,553
Subscriptions received	165,000	-
Share issuance costs	(169,797)	(56,398)
Proceeds from exercise of warrants	-	20,000
Proceeds from exercise of options	73,100	-
Repayment of loans payable	(43,163)	-
Advances received from related parties, net	-	96,684
Increase (decrease) in bank indebtedness	(88,683)	88,683
Net cash provided by financing activities	2,889,557	753,522
Increase (decrease) in cash	210,464	(3,874)
Cash, beginning of the year	-	3,874
Cash, end of the year	\$ 210,464	\$ -

Supplemental disclosure with respect to cash flows (Note 14)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Vatic Ventures Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on October 30, 2007 and was classified as a Capital Pool Company as defined in the TSX Venture Exchange Policy 2.4 until January 26, 2011. On January 26, 2011, the Company completed its Qualifying Transaction (the “Transaction”) and received the final exchange bulletin for the Transaction from the Exchange. As a result, the Company’s shares are listed for trading on the Exchange under the trading symbol “VCV” on the TSX-V.

Following the completion of the Transaction, the Company is listed as a Tier 2 mining exploration issuer. The Company operates in a single business segment focusing on mineral exploration in Thailand. To date, the Company has not generated any revenue from its mineral exploration activities and has met its cash requirements primarily through share issuances and loan. Until the Company attains profitability, it will be necessary to raise additional financing for general working capital and for exploration costs on its properties. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The head office, principal address, registered address and records office of the Company are located at 1500 – 1040 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4H1.

As at February 28, 2019, the Company had a deficit of \$8,985,170 (February 28, 2018 - \$5,026,169) and a working capital deficiency of \$439,466 (February 28, 2018 - \$868,531). The Company expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were primarily funded by the issuance of share capital. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. However, the Company’s future capital requirements will depend on many factors, including operating costs, the current capital market environment and global market conditions.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

On May 8, 2018, the Company received TSX Venture Exchange approval to amend its share structure by consolidating its issued and outstanding common shares on the basis of one (new) post consolidation share for every three (old) pre-consolidation shares (the “Consolidation”).

2. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Approval of the financial statements

The consolidated financial statements of the Company for the year ended February 28, 2019 were reviewed by the Audit Committee and approved and authorized for issue on June 28, 2019 by the Board of Directors of the Company.

Basis of preparation

The consolidated financial statements have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. All inter-company transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

The subsidiaries are consolidated from the date on which control is transferred to the Company and will cease to be consolidated from the date on which control is transferred out of the Company. The Company also assesses existence of control where it does not have more than 50% of voting power but are able to control the investee by virtue of de facto control. De facto control may arise in circumstances where the size of the group’s voting rights relative to the size and dispersion of holdings of other shareholders gives the group the power to govern the financial and operating policies.

Details of the Company’s subsidiaries are as follows:

	Date of Incorporation	Country of incorporation	Percentage owned February 28, 2019
VV Mining Exploration Services Mexico S. DE. R. I.	June 20, 2012	Mexico	100%
VV Mining Mexico S. DE R. I. C. V.	June 20, 2012	Mexico	100%

All inter-company transactions and balances have been eliminated upon consolidation.

On January 15, 2019, the Company disposed of its interest in subsidiary, Saksrithai Development Co. Ltd. (Note 6).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Significant Accounting Judgments

1) Title to Mineral Property Interests

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

2) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement in determining whether it is likely that future economic benefits will flow to the Company.

If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash-generating unit or group of cash-generating units level in the year the new information becomes available.

3) Impairment

The assessment of indications of impairment of exploration and evaluation assets and related determination of the net recoverable amount and write-down of the assets requires the Company to make certain judgements.

Significant Accounting Estimates and Assumptions

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. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

1) Estimated Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical and industry experience. Adjustments to useful life are made when considered necessary. Amortization charges are disclosed in Note 5.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

Significant Accounting Estimates and Assumptions (cont'd...)

2) Share-Based Payments

Equity-settled share-based awards are recognized as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of an option valuation model – Black-Scholes, which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life, and is expensed over the vesting period. Using different input estimates or models produces different option values, which would result in the recognition of a higher or lower expense.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and term deposits that are readily convertible to known amounts of cash and/or with original maturities of three months or less.

Foreign currency translation

The functional currency of the Company and its subsidiaries is measured using the currency of the primary economic environment in which it operates. The financial statements are presented in Canadian dollars which is the Company's and its subsidiaries' functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Non-controlling Interests

Non-controlling interests consist of subsidiaries that are not wholly owned by the Company, and the portions not controlled by the Company are presented as non-controlling interests in the Company's consolidated financial statements. The Company attributes the profit or loss and components of other comprehensive income, if any, to the Company and to the non-controlling interests. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interests is adjusted to reflect the change in the non-controlling interests' relative interests in the subsidiary and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to shareholders of the Company.

Financial instruments

The Company has initially adopted IFRS 9, Financial Instruments ("IFRS 9") from March 1, 2018. The effect of initially applying this standard did not have a material impact on the Company's financial statements. A number of other new standards are also effective from March 1, 2018, however, were also deemed to not have a material impact on the Company's financial statements.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). There was no material impact to the Company's consolidated financial statements as a result of transitioning to IFRS 9.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables, and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets consist primarily of cash, which are classified as FVTPL, and accounts receivable, which are classified and measured at amortized cost.

Transaction costs related to financial instruments other than FVTPL are capitalized as part of the cost of the financial instrument.

The Company does not use any hedging instruments.

Impairment of financial assets

An 'expected credit loss' (ECL) model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company's financial assets measured at amortized cost and subject to the ECL model include amounts receivable.

The adoption of the ECL impairment model had no impact on the carrying amounts of the Company's financial assets on the transition date, given the amounts receivable are substantially all current and there has been minimal historical customer default. The amounts receivable have not been subject to historical credit risk.

Financial liabilities

Financial liabilities are classified as other financial liabilities or FVTPL, based on the purpose for which the liability was incurred. The Company's liabilities comprise accounts payable and accrued liabilities, loans payable, due to third party and due to related parties, all of which are classified as other financial liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Recognition and measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not amortized.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Gains and losses

Gains and losses on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Amortization

The amortization rates applicable to each category of property and equipment are as follows:

<u>Class of equipment</u>	<u>Amortization rate</u>
Furniture and fixtures	20% declining balance
Computer equipment	45% declining balance

One-half the normal amortization is taken in the year of acquisition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

(Loss) earnings per share

Basic (loss) earnings per share is computed by dividing the net loss or income applicable to common shareholders of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

Flow-through shares

The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through share into: 1) share capital based on the fair value of the Company's shares at the date of announcement, and 2) a flow-through share premium, equal to the residual value of the units issued, if any, which is recognized as a liability. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced (or expected to be renounced) to the shareholders. The premium is recognized as deferred tax recovery and the related deferred tax liability is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-Back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

Share-based payments

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that have vested.

If and when the share options are exercised, the applicable amounts of share-based payment reserves are transferred to share capital. If the share options are cancelled or expire unexercised, the related amount is transferred to deficit.

Valuation of equity units issued in private placements

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to the common shares based on the market trading price of common shares at the time the units are issued, with any excess value allocated to the warrants.

The fair value of common shares issued in the private placements are determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount is transferred to deficit.

Exploration and evaluation expenditures

Costs incurred prior to the Company obtaining legal title are expensed in the period in which they are incurred.

Costs incurred to acquire the legal right to explore a property are capitalized. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized on a property by property basis. These direct expenditures include such costs as surveying costs, drilling costs, labour and contractor costs, materials used and licensing and permit fees.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined the property is considered to be under development and is classified as development properties. The carrying value of exploration and evaluation assets is transferred to development properties after being tested for impairment.

Once commercial production has commenced all capitalized costs related to the property are transferred to producing properties and the costs of acquisition, exploration and development will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition, deferred exploration and development costs will be written off to operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation expenditures (cont'd...)

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Management reviews capitalized costs on its mineral properties at each reporting period and will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the sale of the property.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes; the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company and, accordingly, are recorded on a cash basis.

The Company's entitlement to mineral exploration tax credits are accounted for on a cash basis.

Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of operations and comprehensive loss.

The recoverable amount of an asset is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

Restoration, rehabilitation, and environmental obligations

Restoration, rehabilitation and environmental obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A restoration, rehabilitation or environmental obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding cost recognized by increasing the carrying amount of the related long-lived asset. The restoration, rehabilitation or environmental cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. As at February 28, 2018 and 2019, the Company has no known restoration, rehabilitation or environmental obligations.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Accounting standards, amendments and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the February 28, 2019 reporting period. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

(a) IFRS 16, Leases

The new standard on leases, supersedes IAS 17, Leases, and related interpretations. The standard is effective for fiscal periods beginning on or after January 1, 2019.

4. DEFERRED TRANSACTION COSTS

On February 21, 2019, the Company and R7 Capital Ltd. (“R7”) entered into an agreement (the “Assignment Agreement”) whereby the Company has acquired R7’s rights under the letter of intent (the “LOI”) dated December 20, 2018 to, among other rights, acquire 70% of the interest in CannOps Africa (Comoros) SARLU (“CannOps”) from one of its shareholders (“CannOps Shareholder”) and acquire 70% of the shares of a company that has a pending CBD permit in Uganda. CannOps has permits for the cultivation and exclusive production of CBD in Comoros.

In consideration of assignment of the R7’s rights under the LOI, the Company is to:

- i. Issue 500,000 common shares to R7 upon regulatory approval of the transaction;
- ii. Issue a further 500,000 common shares on the later of the regulatory approval date and the date upon which the Uganda permit is assigned to the Company; and
- iii. Assume the obligations of R7 under the LOI.

The Assignment Agreement is subject to the approval of the TSX Venture Exchange.

Under the terms of the LOI, R7 or its assignee shall pay the following to the CannOps Shareholder:

- i. A non-refundable deposit of US\$150,000 by December 20, 2018; and
- ii. Shares of R7 or its assignee with an aggregate value of \$2,500,000 due on the closing of the transaction. The value of the shares will be based on the maximum allowable discount to the last trading price of the shares.

During the year ended February 28, 2019, the Company advanced CannOps US\$150,000 (C\$197,457) in satisfaction of the non-refundable deposit. Subsequent to year end, the Company entered into a loan agreement with CannOps whereby the payment of US\$150,000 is to be repaid by CannOps by December 31, 2019. The loan is unsecured and non-interest bearing.

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5. EQUIPMENT

	Computer equipment	Furniture & fixtures	Total
Cost:			
At February 28, 2017	\$ 1,770	\$ 8,068	\$ 9,838
Additions	2,705	1,193	3,898
At February 28, 2018	\$ 4,475	\$ 9,261	\$ 13,736
Amortization:			
At February 28, 2017	1,630	5,970	7,600
Charges for the year	335	468	803
At February 28, 2018	\$ 1,965	\$ 6,438	\$ 8,403
Net book value:			
At February 28, 2018	\$ 2,510	\$ 2,823	\$ 5,333
Cost:			
At February 28, 2018	\$ 4,475	\$ 9,261	\$ 13,736
Write down	(51)	(1,427)	(1,478)
Disposal of subsidiary	(2,720)	(1,314)	(4,034)
At February 28, 2019	\$ 1,704	\$ 6,520	\$ 8,224
Amortization:			
At February 28, 2018	1,965	6,438	8,403
Charges for the year	563	512	1,075
Disposal of subsidiary	(824)	(430)	(1,254)
At February 28, 2019	\$ 1,704	\$ 6,520	\$ 8,224
At February 28, 2019	\$ -	\$ -	\$ -

6. ACQUISITION AND DISPOSITION OF SUBSIDIARY

On June 2, 2016, the Company entered into an Assignment and Share Purchase Agreement, pursuant to which, the Company issued 1,733,333 of its common shares and paid US \$220,000 to acquire 80% of the shares of Saksrithai Development Co. Ltd. (“Saksrithai”).

During the year ended February 28, 2019, the Company disposed all of its interest in Saksrithai to Red Branch Investments Ltd. for nominal consideration.

The disposition of the subsidiary resulted in derecognition of the following items in the statement of financial position:

Current assets	\$ (6,796)
Non-current assets	(54,329)
Current liabilities	144,950
Non-controlling interest	144,727
Gain on disposition	\$ 228,552

7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition and exploration costs on its mineral properties:

	Thailand		Total
	Khorat Basin Property		
Balance, February 29, 2017	\$	869,963	\$ 869,963
Deferred exploration costs		368,829	368,829
Balance, February 28, 2018	\$	1,238,792	\$ 1,238,792
Deferred exploration costs		244,598	244,598
Write off of exploration and evaluation assets		(1,483,390)	(1,483,390)
Balance, February 28, 2019	\$	-	\$ -

7. **EXPLORATION AND EVALUATION ASSETS (cont'd...)**

KHORAT BASIN PROPERTY

On June 2, 2016 the Company entered into an assignment and share purchase agreement (the “Agreement”) to acquire 80% of the issued and outstanding shares (the “Shares”) of Saksrithai Development Co. Ltd. (“Saksrithai”), a Thailand company which holds two special prospecting licenses (“SPLs”) for the exploration of potash. The two licenses, which are contiguous, are located in the northern Thailand province of Nakhon Ratchasima and comprise an area of approximately 32 km². The property is located in the western part of the Khorat Basin in the Khorat Plateau.

Pursuant to the Agreement the Company has acquired the rights of Red Branch Investments Ltd. a Hong Kong incorporated company (“Red Branch”) to acquire the Shares pursuant to a memorandum of understanding entered into among the holders of the Shares of Saksrithai (the “Saksrithai Shareholders”), Saksrithai and Red Branch dated February 26, 2016 which is superseded by a share purchase agreement (the “Underlying Acquisition Agreement”). In accordance with the terms of the Underlying Acquisition Agreement, as assigned to the Company, the Company has purchased the Shares by paying the Saksrithai Shareholders THB 8,000,000 (8,000,000 Thai Baht, the currency of Thailand, which equates to approximately US\$220,000). The Underlying Acquisition Agreement also provides that the Company fund a THB 50,000,000 (approximately US\$1,400,000) first stage exploration and development program which will include sufficient funding to satisfy work and expenditure commitments under the SPLs and to pay the Thailand project expenses and funding for general and administrative expenses in Thailand and Canada. In the event that the full amount of THB 50,000,000 is not expended, the Saksrithai Shareholders will be entitled to a cash payment of 20% of the unspent balance.

The SPLs require Saksrithai to fund exploration activities totalling THB 53,800,000 over a five year period. On issuance of the SPLs, Saksrithai paid a deposit of THB 1,200,000 which will be returned at the end of the five year license term provided Saksrithai meets the expenditure requirements stipulated in the SPLs. As at February 28, 2018, the deposits were recorded as a long term asset at \$49,348.

As consideration for the Agreement, the Company also issued 1,733,333 common shares with a value of \$416,000 to Red Branch plus a 1% net smelter return (“NSR”) royalty on the property. The NSR Royalty can be purchased by the Company at any time for US \$1,000,000.

During the year ended February 28, 2019, management has decided to abandon the property. As a result, the Company has written off the carrying value of the property.

8. **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	February 28, 2019	February 28, 2018
Accounts payable	\$40,381	\$73,792
Accrued liabilities	128,580	82,496
	\$168,961	\$156,288

During the year ended February 28, 2019, the Company wrote off outstanding accounts payable in the amount of \$8,900.

9. LOANS PAYABLE

As at February 28, 2018, loans payable consisted of two loans with a total carrying value of \$43,163. Both of the loans are unsecured, due on demand and bear interest at 10% or 12% per annum. During the year ended February 28, 2018, two of the debt holders assigned their debts to other parties and waived any payment of interest from the beginning of the year up until the date of the transfer. One of the loans was transferred to a related party with a carrying amount of \$21,806 (Note 13). During the year ended February 28, 2018, the Company accrued \$134 in interest expense.

During the year ended February 28, 2019, the Company has repaid the full balance of the loan. The loan did not incur any interest during the year.

10. SHARE CAPITAL

Authorized: unlimited common shares without par value

On May 8, 2018, the Company completed a share consolidation in which one (1) post-consolidated common share replaced three (3) pre-consolidated common shares. All information relating to basic and diluted loss per share, the weighted average number of common shares outstanding, the issued and outstanding common shares, share options, and warrants have been adjusted to reflect the impact of the share consolidation in these consolidated financial statements.

During the year ended February 28, 2019:

Private Placement on April 12, 2018

On April 12, 2018, the Company closed its private placement financing (announced February 1, 2018) for gross proceeds of \$482,500. The Company issued a total of 3,216,667 units at a price of \$0.15 per unit. Each unit consists of one common share of the Company and one full common share purchase warrant exercisable at \$0.30 for 12 months from the date of issuance. All securities issued in the placement are subject to a four-month hold period. In connection with the financing, the Company issued 143,333 finder's warrants on March 21, 2018. Each finder's warrant is exercisable at \$0.30 for a period of one year. The finder's warrants were valued at \$7,338 or \$0.05 per warrant. The finder's warrants were valued using the Black-Scholes model with the following inputs: expected life of 1 year, discount rate of 1.9%, volatility of 123% and dividend yield of 0%.

Private Placement on May 4, 2018

On May 4, 2018, the Company received approval from the TSX Venture Exchange to close its private placement financing (announced April 19, 2018) for gross proceeds of \$994,970. The Company issued a total of 5,102,410 units at a price of \$0.195 per unit. Each unit consists of one common share of the Company and one full common share purchase warrant exercisable at \$0.39 for 24 months from date of issuance. All securities issued in the placement are subject to a four-month hold period. In connection with the financing, the Company issued 71,400 finder's warrants on May 7, 2018. Each finder's warrant is exercisable at \$0.39 for a period of two years. The finder's warrants were valued at \$6,255 or \$0.09 per warrant. The finder's warrants were valued using the Black-Scholes model with the following inputs: expected life of 2 years, discount rate of 1.9%, volatility of 107% and dividend yield of 0%.

10. SHARE CAPITAL (cont'd...)

Private Placement on August 24, 2018

On August 24, 2018, the Company announced the closing of its previously announced rights offering (the “Rights Offering”). Under the Rights Offering, on August 24, 2018 (the “Closing Date”), 1,122,736 units of the Company (the “Units”) were distributed at a price of \$0.18 per Unit for gross proceeds of approximately \$202,092. Each Unit consisted of one common share in the capital of Vatic (a “Share”) and one transferable common share purchase warrant (each, a “Warrant”), with each Warrant exercisable into one Share at an exercise price of \$0.25 for a period of 24 months from the Closing Date. The Warrants will not be listed for trading on the TSX Venture Exchange (the “Exchange”), as the minimum distribution and other listing requirements of the Exchange were not satisfied. A total of 1,017,403 Units were subscribed for by rights holders pursuant to the basic subscription privilege attached to the rights, and a total of 105,333 Units were subscribed for by rights holders pursuant to the additional subscription privilege attached to the rights. No Units were subscribed for by insiders of the Company under the basic subscription privilege or the additional subscription privilege. As previously announced, Mackie Research Capital Corporation (“Mackie”) acted as exclusive soliciting dealer on a commercially reasonable efforts basis in connection with the Rights Offering in consideration for: (i) a corporate finance fee of \$40,000 plus GST; (ii) a cash commission equal to 10% of the proceeds of the Rights Offering; (iii) the issuance of non-transferable warrants to acquire 694,444 Shares at a price of \$0.18 per Share for a period of 24 months from the Closing Date, valued at \$35,191 or \$0.05 per warrant; and (iv) the issuance of nontransferable options to acquire 112,273 Units, valued at \$5,689 or \$0.05 per option. The finder’s warrants and options were valued using the Black-Scholes model with the following inputs: expected life of 2 years, discount rate of 2.1%, volatility of 116% and dividend yield of 0%.

Private Placement on January 30, 2019

On January 30, 2019, the Company announced the closing of its private placement for gross proceeds of \$1,296,033. The Company issued a total of 17,280,439 units (“Units”) at a price of \$0.075 per unit as well as 8,640,220 warrants. Each Unit will consist of one common share and one half of a common share purchase warrant (“Unit Warrant”) with each full Unit Warrant entitling the holder to acquire one additional common share at a price of \$0.10 per share for 24 months from closing. In accordance with TSX Venture Exchange policies, a total of 56,854 and 596,657 finder’s warrants were paid as finder’s fees. The finders’ warrants were valued at \$24,449 or \$0.04 per warrant. The finder’s warrants were valued using the Black-Scholes model with the following inputs: expected life of 2 years, discount rate of 1.9%, volatility of 124% and dividend yield of 0%.

The private placement was effected with 5 insiders of the Company subscribing for 1,466,666 Units for aggregate subscription proceeds of \$110,000, that portion of the financing a “related party transaction” as such term is defined under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”). The Company is relying on exemptions from the formal valuation and minority approval requirements set out in MI 61-101. The Company is exempt from the formal valuation requirement of MI 61-101 under sections 5.5(a) and (b) of MI 61-101 in respect of the transaction as the fair market value of the transaction, insofar as it involves the interested party, is not more than the 25% of the Company’s market capitalization. Additionally, the Company is exempt from minority shareholder approval under sections 5.7(1)(a) and (b) of MI 61-101 as, in addition to the foregoing, (i) neither the fair market value of the Units nor the consideration received in respect thereof from interested party exceeds \$2,500,000, (ii) the Company has one or more independent directors who are not employees of the Company, and (iii) all of the independent directors have approved the transaction. Material change reports were not filed 21 days prior to the closing of the financing because insider participation had not been established at the time the financing was announced.

10. SHARE CAPITAL (cont'd...)

During the year ended February 28, 2018:

Private Placement on March 27, 2017

On March 27, 2017, the Company received approval from the NEX board of the TSX-V to close the first and second tranches of its financing. In the first tranche, the Company issued 1,385,556 units at a price of \$0.225 per unit for gross proceeds of \$311,750. Each unit consists of one common share and one common share purchase warrant with each whole warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.45 per share for 24 months from closing. A finder's fee of \$16,800 cash, plus 84,667 finder's warrants exercisable at \$0.225 per share for 24 months was paid to Haywood Securities Inc. The finder's warrants had a fair value of \$11,840 using the Black Scholes option pricing model with the following assumptions: Risk-free interest rate of 0.73%, expected life of 2 years, and expected volatility of 124%. The Company also paid a finder's fee of \$1,500 cash plus 6,667 finder's warrants valued at \$932 exercisable at \$0.225 per share for 24 months to Foster & Associates. The finder's warrants had a fair value of \$932 using the Black Scholes option pricing model with the following assumptions: Risk-free interest rate of 0.73%, expected life of 2 years, expected volatility of 124%, and dividend yield of 0%. The Company also incurred other share issuance costs of \$7,000 in connection with the financing.

On closing of the second tranche, the Company issued 330,555 units at a price of \$0.225 per unit for gross proceeds of \$74,375. Each unit consists of one common share and one common share purchase warrant with each whole warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.45 per share for 12 months from closing. A finder's fee of \$2,348 cash, plus 10,833 finder's warrants exercisable at \$0.225 per share for 24 months was paid to Leede Jones Gable Inc. The finder's warrants had a fair value of \$1,515 using the Black Scholes option pricing model with the following assumptions: Risk-free interest rate of 0.73%, expected life of 2 years, expected volatility of 124%, and dividend yield of 0%. The Company also incurred other share issuance costs of \$3,000 in connection with the financing.

The Company issued 133,333 common shares on exercise of 133,333 finder's warrants with an exercise price of \$0.15 per share for gross proceeds of \$20,000.

Private Placement on February 5, 2018

On February 5, 2018, the Company announced that it had closed a non-brokered private placement with gross proceeds of \$497,628, consisting of 3,317,522 units at a price of \$0.15 per unit. Each unit consists of one common share and one common share purchase warrant with each unit warrant entitling the holder to acquire one additional common share at a price of \$0.30 per share for 12 months from closing. Finders' fees of \$14,750 cash, plus 98,333 finder's warrants exercisable at \$0.30 per share for 12 months were paid to the finders. The finder's warrants had a fair value of \$5,752 using the Black Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.81%, expected life of 1 year, expected volatility of 103%, and dividend yield of 0%. The Company also incurred other share issuance costs of \$11,000 in connection with the financing.

10. SHARE CAPITAL (cont'd...)

Share options

The Company adopted a share option plan (the “Share Option Plan”) under which it may grant options to directors, officers, and technical consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the discounted market price, which is the closing market price of option granted date. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

For share options granted to employees, officers, directors, and consultants, the Company recognizes as an expense, the estimated fair value of the share options granted. The fair value of each share option granted was estimated on the date of grant using the Black-Scholes option-pricing model.

A summary of share option transactions are as follows:

	Number of options	Weighted average exercise price	Weighted average number of years to expiry
Balance, February 29, 2017	7,604	\$9.60	0.36
Granted	150,000	\$0.15	
Expired	(7,604)	\$9.60	
Balance, February 28, 2018	150,000	\$0.15	1.54
Granted	1,792,273	\$0.11	
Expired	(250,000)	\$0.18	
Exercised	(1,530,000)	\$0.09	
Balance, February 28, 2019	162,273	\$0.18	1.53

As at February 28, 2019, the following options are outstanding and exercisable:

Weighted average exercise price	Weighted average contractual life (years)	Number of options outstanding	Number of options exercisable	Expiry date
\$ 0.18	1.49	112,273	112,273	August 24, 2020
\$ 0.18	1.61	50,000	50,000	October 9, 2020
\$ 0.18	1.53	162,273	162,273	

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10. SHARE CAPITAL (cont'd...)

Warrants

Changes to the balance of warrants outstanding are as follows:

	Warrants outstanding	Weighted average exercise price	Weighted average number of years to expiry
Balance, February 28, 2017	7,497,744	\$ 0.37	0.61
Expired	(4,978,458)	\$ 0.34	
Exercised	(133,333)	0.15	
Granted - private placement	5,033,633	0.35	
Granted - finder's warrants	200,500	0.35	
Balance, February 28, 2018	7,620,085	\$ 0.38	0.83
Expired	(6,132,363)	\$ 0.37	
Granted - private placement	18,082,033	0.23	
Granted - finder's warrants	1,505,834	0.17	
Balance, February 28, 2019	21,075,589	\$ 0.24	1.27

As at February 28, 2019, the following warrants are outstanding and exercisable:

Weighted average exercise price	Weighted Average Life (Years)	Number of warrants outstanding and exercisable	Expiry date
0.45	0.07	1,385,555	March 27, 2019
0.23	0.07	91,333	March 27, 2019
0.23	0.08	10,833	March 29, 2019
0.30	0.00	933,333	March 1, 2019
0.30	0.06	1,786,667	March 21, 2019
0.30	0.06	143,333	March 21, 2019
0.30	0.12	496,667	April 13, 2019
0.39	1.19	5,102,410	May 7, 2020
0.39	1.19	71,400	May 7, 2020
0.18	1.49	694,444	August 24, 2020
0.25	1.49	1,122,737	August 24, 2020
0.10	1.81	1,617,666	December 20, 2020
0.10	1.81	156,800	December 20, 2020
0.10	1.94	400,467	February 4, 2021
0.10	1.94	6,622,087	February 5, 2021
0.10	1.94	439,857	February 5, 2021
\$ 0.24	1.27	21,075,589	

10. SHARE CAPITAL (cont'd...)

Share-based payments

The Company incurred share-based payment costs of \$109,075 during the year ended February 28, 2019 (2018 - \$9,277) resulting from issuance of share options. The share-based payment costs were valued using the Black-Scholes model with the following inputs: expected life of 4 years, discount rate of 2.2%, volatility of 135% and dividend yield of 0%.

11. CAPITAL DISCLOSURE

The Company considers its capital structure to include the net residual equity of all assets, less liabilities. Capital is comprised of the Company's equity and any debt that it may issue. The Company's objectives when managing capital are to (i) maintain sufficient working capital to meet current financial obligations and continue as a going concern; (ii) maintain a capital structure to allow the Company to raise equity funding to finance its capital expenditures and acquisition activities; (iii) maintain creditworthiness and maximize returns for shareholders over the long term; (iv) maintain capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic circumstances. The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will be used to fund the Company's working capital and exploration activities. There were no changes to the way the Company manages its capital in the year ended February 28, 2019.

12. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Under IFRS, a three-level hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three levels of the fair value hierarchy are as follows:

- a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 – Inputs for assets or liabilities that are not based on observable market data.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described above. Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair value measurement.

Assets	As at February 28, 2019			
	Level 1	Level 2	Level 3	Total
Cash	\$ 210,464	\$ -	\$ -	\$ 210,464
Total	\$ 210,464	\$ -	\$ -	\$ 210,464

Assets	As at February 28, 2018			
	Level 1	Level 2	Level 3	Total
Cash	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

12. FINANCIAL INSTRUMENTS AND RISKS (cont'd...)

All other financial assets and liabilities approximate their fair value due to the short term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables.

The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's amounts receivable consist primarily of GST receivable due from federal government agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At February 28, 2019, the Company had cash of \$210,464 (February 28, 2018 – \$nil), which is insufficient to settle current liabilities of \$863,976 (February 28, 2018 - \$886,339). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

There are some expenses for the Company denominated in US dollars. The Company may become exposed to currency fluctuations on mineral exploration and evaluation expenditures which are denominated in operating expenses denominated in US dollars. These potential currency risks could have a significant impact on the Company.

Based on the net exposures at February 28, 2019, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would not have a significant impact on the Company's net loss and comprehensive loss.

13. RELATED PARTY TRANSACTIONS

The amounts due to related parties are amounts due to officers and directors of the Company. The balances are unsecured, non-interest bearing and have no specific terms for repayment. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Due to related parties	February 28, 2019		February 28, 2018	
Former President	\$	294,166	\$	205,127
Former CEO		298,313		296,655
CFO		18,270		59,270
Previous Director		37,153		37,153
Total	\$	647,902	\$	598,205

During the years ended February 28, 2019 and 2018, the Company paid or accrued management and directors' fees to its officers and directors as follows:

	Years ended			
	February 28, 2019		February 28, 2018	
Former President	\$	246,910	\$	120,000
Former CEO		144,465		120,000
Former CEO (recorded in Saksrithai)		130,000		-
CFO		48,000		24,000
	\$	569,375	\$	264,000

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year ended February 28, 2019:

- Issuance of finders' warrants with a total value of \$73,333.
- Issuance of finders' options with a total value of \$5,689.
- Reclassification of the fair value of exercised options from reserves to share capital amounting to \$109,807.
- Reclassification of the fair value of cancelled options from reserves to deficit amounting to \$8,337.
- Reclassification of the fair value of expired warrants from reserves to share capital amounting to \$4,749.
- Issuance of 1,617,666 warrants with a fair value of \$16,177 in connection with the first tranche of the January 30, 2019 private placement.
- Exercise of options in lieu of debt settlement to related parties amounting to \$69,000.
- Assignment of related party debt to third party of \$47,113.

The significant non-cash transactions for the year ended February 28, 2018:

- Included in accounts payable and accrued liabilities are \$27,573 related to deferred exploration costs.
- Included in due to related parties are \$96,000 related to deferred exploration costs.

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15. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2019		2018	
Loss for the year	\$	(3,976,165)	\$	(637,335)
Expected income tax (recovery)	\$	(1,074,000)	\$	(167,000)
Change in statutory, foreign tax, foreign exchange rates and other		(14,000)		(105,000)
Permanent differences		35,000		2,000
Disposal of subsidiary		176,000		-
Share issue cost		(46,000)		(15,000)
Adjustment to prior years provision versus statutory tax returns		2,000		-
Change in unrecognized deductible temporary differences		921,000		285,000
Total income tax expense (recovery)	\$	-	\$	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2019		2018	
Deferred tax assets (liabilities)				
Exploration and evaluation assets	\$	32,000	\$	114,000
Property and equipment		3,000		3,000
Share issue costs		53,000		23,000
Allowable capital losses		199,000		-
Non-capital losses available for future period		1,896,000		1,029,000
		2,183,000		1,169,000
Unrecognized deferred tax assets		(2,183,000)		(1,169,000)
Net deferred tax assets	\$	-	\$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2019		2018	
	2019	Expiry Date Range	2018	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$	120,000	\$	535,000
Property and equipment		10,000		12,000
Share issue costs		196,000		84,000
Non-capital losses available for future periods		7,021,000		3,852,000
Canada		7,021,000		3,689,000
Thailand		-		163,000

Tax attributes are subject to review, and potential adjustment, by tax authorities.

16. NON-CONTROLLING INTEREST

As of February 28, 2019, and 2018, non-controlling interest includes a 20% interest in a subsidiary with operations in Thailand.

20% of profit and loss on each component of other comprehensive income is attributed to the owner of the non-controlling interests.

	February 28, 2019	February 28, 2018
Non-controlling interest, beginning of the year	\$ 153,554	\$ 176,769
Share of net loss	(8,827)	-
Disposal of subsidiary	(144,727)	(23,215)
Non-controlling interest, end of the year	\$ -	\$ 153,554

The table below discloses selected financial information of the subsidiary in Thailand on a 100% basis.

	February 28, 2019	February 28, 2018
Non-controlling interest, beginning of the year	\$ 153,554	\$ 176,769
Share of net loss	(8,827)	-
Disposal of subsidiary	(144,727)	(23,215)
Non-controlling interest, end of the year	\$ -	\$ 153,554

	February 28, 2019	February 28, 2018
Non-controlling percentage	0%	20%
Total assets	\$ -	\$ 1,289,377
Total liabilities	-	(521,606)
Net assets	\$ -	\$ 767,771

Summarized income statement

Net and comprehensive loss	\$ (44,136)	\$ (116,706)
Loss allocated to non-controlling interest	\$ (8,827)	\$ (23,215)

Summarized cash flow

Cash provided by (used in) operating activities	\$ 4,191	\$ (127,612)
Cash used in investing activities	\$ (146,139)	\$ (345,155)
Cash provided by financing activities	\$ 142,148	\$ 476,439