VATIC VENTURES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED

NOVEMBER 30, 2019

EXPRESSED IN CANADIAN DOLLARS

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor Davidson & Company LLP has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements.

January 28, 2020

VATIC VENTURES CORP.

Condensed Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

		November 30, 2019		February 28, 2019
ASSETS				
Current				
Cash	$	669	$	210,464
Amounts receivable		14,818		16,589
Deferred transaction costs (Note 4)		140,519		197,457
		156,006		424,510
Total assets	$	156,006	$	424,510
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 8)	$	153,599	$	168,961
Due to third party		75,380		47,113
Due to related parties (Note 13)		525,468		647,902
Total liabilities		754,447		863,976
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 10)		8,419,541		8,419,541
Subscriptions receivable (Note 10)		-		(22,500)
Share-based payment reserve (Note 10)		6,527		6,527
Warrant reserve (Note 10)		142,136		142,136
Deficit		(9,166,645)		(8,985,170)
Shareholders' deficiency		(598,441)		(439,466)
Total liabilities and shareholders' deficiency	$	156,006	$	424,510

Nature of operations and going concern (Note 1)

Approved by the Board of Directors

"Barry Coughlan"	"*Matt Mikulic*"
Director	Director

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

VATIC VENTURES CORP.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Three months ended November 30, 2019	Three months ended November 30, 2018	Nine months ended November 30, 2019	Nine months ended November 30, 2018
Expenses				
Amortization (Note 5)	$ -	$ 716	$ -	$ 1,298
Business development	-	15,000	-	938,176
Consulting fees	13,850	32,150	70,350	137,775
Directors' fees (Note 12)	-	-	-	-
Management fees (Note 13)	26,000	33,000	83,000	213,000
Office and miscellaneous	7,007	9,217	23,758	29,721
Professional fees	20,475	65,306	62,872	173,422
Rent	-	7,749	3,580	13,753
Share-based payments	-	21,601	-	21,601
Transfer agent and filing fees	501	13,121	2,233	46,906
Travel, meals and entertainment	-	32,908	29,849	122,727
Total expenses	(67,833)	(230,768)	(275,642)	(1,698,379)
Expense recovery	-	-	94,167	-
Foreign exchange loss	-	(521)	-	(14)
Gain on derecognition of accounts payable (Note 8)	-	-	-	12,136
Interest expense	-	9,703	-	-
	-	9,182	94,167	12,122
Net and comprehensive loss for the period	(67,833)	(221,586)	(181,475)	(1,686,257)
Net loss attributable to				
Shareholders of the Company	(67,833)	(221,784)	(181,475)	(1,676,924)
Non-controlling interest	-	198	-	(9,333)
	(67,833)	(221,586)	(181,475)	(1,686,257)
Weighted average number of common shares outstanding (basic and diluted)	43,823,967	25,125,483	43,823,967	22,318,651
Basic and diluted net loss per share	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.08)

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

VATIC VENTURES CORP.

Condensed 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, 2018	**15,007,959**	**$ 5,395,805**	**$ 57,475**	**$ 9,277**	**$ (165,000)**	**$ (5,026,169)**	**$ 153,554**	**$ 424,942**
Net loss for the period	-	-	-	-	-	(1,676,924)	(9,333)	(1,686,257)
Private placement	9,441,810	1,679,592	-	-	165,000	-	-	1,844,592
Options exercised	1,070,000	114,500	-	-	-	-	-	114,500
Finder's fee	-	(54,618)	-	-	-	-	-	(54,618)
Fair value of agent's options granted	-	-	-	21,601	-	-	-	21,601
Fair value of agent's warrants granted	-	(37,824)	37,824	-	-	-	-	-
Balance, November 30, 2018	**25,519,769**	**7,097,455**	**95,299**	**30,878**	**-**	**(6,703,093)**	**144,221**	**664,760**

	Number of shares issued	Share Capital	Warrant reserve	Share-based payment reserve	Subscriptions received (receivable)	Deficit	Non-controlling interest	Total
Balance, February 28, 2019	**43,823,967**	**$ 8,419,541**	**$142,136**	**$ 6,527**	**$ (22,500)**	**$ (8,985,170)**	**$ -**	**$ (439,466)**
Net loss for the period	-	-	-	-	-	(181,475)	-	(181,475)
Share subscription received	-	-	-	-	22,500	-	-	22,500
Balance, November 30, 2019	**43,823,967**	**$ 8,419,541**	**$142,136**	**$ 6,527**	**$ -**	**$ (9,166,645)**	**$ -**	**$ (598,441)**

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

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

	Nine months ended November 30, 2019	Nine months ended November 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (181,475)	$(1,686,257)
Adjustments for:		
Amortization	-	1,298
Interest expense	-	-
Gain on derecognition of accounts payable	-	(12,136)
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	9,974	518
Decrease in deferred transaction costs	48,735	-
Decrease in prepaid expenses	-	875
Increase (decrease) in due to related parties	(122,434)	21,394
Increase due to third parties	28,267	-
Increase (decrease) in accounts payable and accrued liabilities	(15,362)	51,245
Net cash used in operating activities	(232,295)	(1,623,063)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	-	(139,498)
Net cash used in investing activities	-	(139,498)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	-	1,739,474
Subscriptions received	22,500	165,000
Share issuance costs	-	(54,618)
Net cash provided by financing activities	22,500	1,849,856
Increase (decrease) in cash	(209,795)	108,896
Cash, beginning of the period	210,464	(88,683)
Cash, end of the period	$ 669	$ 20,213

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 November 30, 2019, the Company had a deficit of $9,166,645 (February 28, 2019 - $8,985,170) and a working capital deficiency of $598,441 (February 28, 2019 - $439,466). 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").

The shares of the Company were voluntarily halted on February 21, 2019 and will reinstated for trading up the Exchange approval of the Company's approval of it Change of Business to Life Sciences.

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 period ended November 30, 2019 were reviewed by the Audit Committee and approved and authorized for issue on January 28, 2020 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:

			Percentage owned
	Date of Incorporation	Country of incorporation	August 31, 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.

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, has been omitted or condensed.

The same accounting policies and methods of computation were followed in the preparation of these condensed consolidated interim financial statements as were followed in the preparation and described in Note 3 of the annual audited consolidated financial statements as at and for the year ended February 28, 2019. Accordingly, these condensed interim financial statements for the six month period ended November 30, 2019 should be read together with the annual audited consolidated financial statements as at and for the year ended February 28, 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 based on the maximum allowing 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. During the period ended November 30, 2019, 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. Further to the Company's new release dated March 19, 2019, the Company has classified as a loan the repayment of US$150,000 which it advanced to CannOps on or about December 20, 2018, to enable CannOps or its assignees or successors to secure certain rights in an east African country.

On October 31, 2019, the Company signed a binding letter of intent (the "LOI") for a share exchange to acquire Indian Ocean Organics Ltd. ("Indian Ocean") which has the right to acquire 70% of a company which holds an exclusive permit for the exploration, cultivation, production, transport and export of THC, CBD and its derivative medicinal plants and seeds (the "Permit") in a west African country (the "Permitted Jurisdiction"). Indian Ocean is an arm's length private company incorporated pursuant to the laws of the Province of British Columbia, Canada. It is intended that the LOI will be replaced by a formal agreement in due course (the "Share Exchange Agreement"). This LOI supersedes and replaces the previously announced February 21, 2019 Assignment Agreement.

On October 9, 2019, Indian Ocean signed a memorandum of understanding ("MOU") with Global Medicinals Ltd. and Partners ("Global Medicinals") and its major shareholder Kingsley Pungong (the "Major Shareholder") for the right to acquire 70% of the issued shares of Global Medicinals, the holder of the Permit, which was issued by the government of the Permitted Jurisdiction on April 4, 2019. Global Medicinals is a private company incorporated in the Permitted Jurisdiction. Under the MOU, Indian Ocean, Global Medicinals and the Major Shareholder (the "Parties") will enter into a definitive agreement (the "Definitive Agreement") whereby Indian Ocean will acquire 70% of the issued shares of Global Medicinals to develop the Permit for the cultivation, production, harvesting, processing marketing and export of cannabis for medicinal and scientific purposes.

The signing of the Definitive Agreement will coincide with the COB. The proposed transaction is arm's length and complying with the terms of the LOI and the Share Exchange Agreement and the MOU will constitute a change of business ("COB") for Vatic as that term is defined by the policies of the TSX Venture Exchange (the "Exchange").

1. Indian Ocean and Green Ocean Organics Ltd.("Green Ocean"), the sole shareholder of Indian Ocean , have agreed to enter into the Share Exchange Agreement with Vatic for the purchase by Vatic of 100% of the issued and outstanding shares of Indian Ocean (the "Shares") which will include the assumption by Vatic of the obligations of Indian Ocean to issue certain shares to various parties as outlined below. Green Ocean is controlled by Tim Rogers, its sole shareholder. Upon completion of the COB Vatic will, in accordance with the policies of the Exchange, be classified as a company in the life sciences. The assets of Indian Ocean (collectively referred to as the "Rights") include:
   (a) The right to acquire 70% of Global Medicinals with the resulting rights associated with the Permit including any other cultivation land that Indian Ocean or Global Medicinals secures, including any agreements Indian Ocean or Global Medicinal signs for permits or rights in other countries; and
   (b) The right to fund the Distribution Initiative and to acquire the rights associated with the Distribution Initiative.

2. Vatic will, on the closing of the COB (the "Closing"), complete the following:
   (a) Share Issuance to Green Ocean: Vatic will issue 33,333,333 common shares of Vatic at a deemed price of $0.075 per share with a value of Cdn$2,500,000 in exchange for 33,333,333 common shares of Indian Ocean held by Green Ocean;
   (b) Unit Issuance to Holders of Subscription Receipts: Indian Ocean has received funds from various investors and has issued subscription receipts (the "Subscription Receipts") to such investors which can be converted into units of Indian Ocean (the "Company Units") each such Indian Ocean Unit being comprised of one common share and one-half of a share purchase warrant with each whole warrant entitling the holder to acquire a further common share of Indian Ocean for $0.10 for a period of two years from the date the subscription receipts are converted to Indian Ocean Units. There are currently 8,665,600 Subscription Receipts outstanding that were issued at a price of $0.075 per Subscription Receipt. On closing of the COB Vatic will issue units ("Vatic Units") to holders of Subscription Receipts, such units to have the same characteristics as Indian Ocean Units. In the event that Indian Ocean requires further funding prior to the Closing ("Pre Closing Funding") such funds advanced to Indian Ocean will result in additional Subscription Receipts being issued and on Closing Vatic will, subject to regulatory approval, issue Vatic Units on conversion of such additional Subscription Receipts;
   (c) R7 Capital Ventures Ltd.: Indian Ocean owes R7 Capital Ventures Ltd. ("R7") a fee of 500,000 common shares for the introduction of Global Medicinals and the Permit and will owe a further 500,000 common shares on the successful addition of a project in a second country. On Closing Vatic will assume Indian Ocean's obligations to R7; and
   (d) Milestone Shares: Under the MOU between Indian Ocean, Global Medicinals and the Major Shareholder, subsequent to the signing of the Definitive Agreement the shareholding of Global Medicinals will be 70% in the name of Indian Ocean and 30% in the name of Global Medicinals' remaining shareholders. In consideration of the transfer of 70% of the shares of Global Medicinals to Indian Ocean, the Major Shareholder will receive up to a total of 5,000,000 common shares of Indian Ocean, or of such company as will acquire or will have acquired Indian Ocean, in staged milestones disclosed in the MOU transactions details hereunder.

(Expressed in Canadian dollars)

Under certain financial agreements with the Company, Indian Ocean has agreed to assume responsibility for the advance by the Company of certain funds including a $205,000.00 (US$150,000.00) deposit of which $64,481.00 has been repaid by Indian Ocean during the period ended November 30, 2019, leaving an outstanding balance of $140,519.00, and a due diligence costs balance of $175,277.53.

5. EQUIPMENT

	Computer equipment		Furniture & fixtures		Total
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	**$**	**-**	**$**	**-**	**$ -**
					0
Cost:					
At February 28, 2019	$	1,704	$	6,520	$ 8,224
Additions		-		-	-
At November 30, 2019	$	1,704	$	6,520	$ 8,224
Amortization:					
At February 28, 2019		1,704		6,520	8,224
Charges for the period		-		-	-
At November 30, 2019	$	1,704	$	6,520	$ 8,224
Net book value:					
At November 30, 2019	**$**	**-**	**$**	**-**	**$ -**

(Expressed in Canadian dollars)

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 Khorat Basin Property	Total
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	**$ -**	**$ -**
Balance, November 30, 2019	**$ -**	**$ -**

(Expressed in Canadian dollars)

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 had 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

	November 30, 2019	February 28, 2019
Accounts payable	$44,699	$40,381
Accrued liabilities	108,900	128,580
	$153,599	$168,961

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.

<u>During the period ended November 30, 2019:</u>

There were no private placements during the period ended November 30, 2019 for the Company.

<u>During the year ended February 28, 2019:</u>

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.

(Expressed in Canadian dollars)

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 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
Balance, November 30, 2019	162,273	$0.18	1.03

As at November 30, 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	0.98	112,273	112,273	August 24, 2020
$ 0.18	1.11	50,000	50,000	October 9, 2020
$ 0.18	1.03	162,273	162,273	

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

(Expressed in Canadian dollars)

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, 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
Expired	(4,847,721)	$	0.37	
Balance, November 30, 2019	16,227,868	$	0.21	1.14

As at November 30, 2019, the following warrants are outstanding and exercisable:

Weighted average exercise price	Weighted Average Life (Years)	Number of warrants outstanding and exercisable	Expiry date
0.39	0.68	5,102,410	May 7, 2020
0.39	0.68	71,400	May 7, 2020
0.18	0.98	694,444	August 24, 2020
0.25	0.98	1,122,737	August 24, 2020
0.10	1.31	1,617,666	December 20, 2020
0.10	1.81	156,800	December 20, 2020
0.10	1.43	400,467	February 4, 2021
0.10	1.44	6,622,087	February 5, 2021
0.10	1.44	439,857	February 5, 2021
$ 0.21	1.14	16,227,868	

Share-based payments

The Company did not incur share-based payment costs during the period ended November 30, 2019 (November 30, 2018 - $Nil) resulting from issuance of share options.

(Expressed in Canadian dollars)

10. 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 period ended November 30, 2019.

11. 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.

	As at November 30, 2019			
Assets	Level 1	Level 2	Level 3	Total
Cash	$ 669	$ -	$ -	$ 669
Total	$ 669	$ -	$ -	$ 669

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

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 November 30, 2019, the Company had cash of $669 (February 28, 2019 – $210,464), which is insufficient to settle current liabilities of $754,447 (February 28, 2019 - $863,976). 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 November 30, 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.

(Expressed in Canadian dollars)

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.

	November 30, 2019		February 28, 2019	
Former President	$	225,993	$	294,166
Former CEO		225,052		298,313
CEO		12,000		-
CFO		25,270		18,270
Previous Director		37,153		37,153
Total	$	525,468	$	647,902

During the periods ended November 30, 2019 and 2018, the Company paid or accrued management and directors' fees to its officers and directors as follows:

	Nine months ended			
	November 30, 2019		November 30, 2018	
Former President	$	-	$	90,000
Former CEO		-		90,000
CFO		32,000		33,000
CEO		36,000		-
	$	68,000	$	213,000

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions for the periods ended November 30, 2019.