

VATIC VENTURES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED

AUGUST 31, 2020

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 26, 2021

VATIC VENTURES CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

	August 31, 2020	February 29, 2020
ASSETS		
Current		
Cash	\$ 155	\$ 143
Amounts receivable	6,600	7,051
Total assets	\$ 6,755	\$ 7,194
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 239,536	\$ 190,345
Due to third party	112,533	112,533
Due to related parties (Note 9)	399,548	398,371
Total liabilities	751,617	701,249
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 6)	8,468,326	8,426,880
Share-based payment reserve (Note 6)	6,527	6,527
Warrant reserve (Note 6)	93,351	134,797
Deficit	(9,313,066)	(9,262,259)
Total shareholders' deficiency	(744,862)	(694,055)
Total liabilities and shareholders' deficiency	\$ 6,755	\$ 7,194

Nature of operations and going concern (Note 1)**Subsequent events (Note 11)**

Approved by the Board of Directors

"Loren Currie"

Director

"Matt Mikulic"

Director

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

VATIC VENTURES CORP.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	August 31,	August 31,	August 31,	August 31,
	2020	2019	2020	2019
Expenses				
Consulting fees	9,000	12,000	\$ 18,000	\$ 56,500
Management fees (Note 9)	-	30,000	-	57,000
Office and miscellaneous	6,291	11,851	6,530	16,751
Professional fees	1,996	2,503	5,715	42,397
Rent	11,330	1,750	12,905	3,580
Transfer agent and filing fees	1,000	490	7,530	1,732
Travel, meals and entertainment	-	8,552	127	29,849
Total expenses	(29,617)	(67,146)	(50,807)	(207,809)
Gain on derecognition of accounts payable (Note 5)	-	94,167	-	94,167
	-	94,167	-	94,167
Net loss and comprehensive loss for the period	(29,617)	27,021	(50,807)	(113,642)
Weighted average number of common shares outstanding (basic and diluted)	43,823,967	43,823,967	43,823,967	43,823,967
Basic and diluted net loss per share	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.00)

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

VATIC VENTURES CORP.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Number of shares issued	Share capital	Warrant reserve	Share-based payment reserve	Subscriptions received (receivable)	Deficit	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	-	-	-	-	-	(113,642)	(113,642)
Share subscription received	-	-	-	-	22,500	-	22,500
Balance, August 31, 2019	43,823,967	\$ 8,419,541	\$ 142,136	\$ 6,527	\$ -	\$ (9,098,812)	\$ (530,608)

	Number of shares issued	Share capital	Warrant reserve	Share-based payment reserve	Subscriptions received (receivable)	Deficit	Total
Balance, February 29, 2020	43,823,967	\$ 8,426,880	\$ 134,797	\$ 6,527	\$ -	\$ (9,262,259)	\$ (694,055)
Net loss for the period	-	-	-	-	-	(50,807)	(50,807)
Fair value reversal of warrant expired	-	41,446	(41,446)	-	-	-	-
Balance, August 31, 2020	43,823,967	\$ 8,468,326	\$ 93,351	\$ 6,527	\$ -	\$ (9,313,066)	\$ (744,862)

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

VATIC VENTURES CORP.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

	Six months ended	
	August 31, 2020	August 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (50,807)	\$ (113,642)
Adjustments for:		
Gain on extinguishment of accounts payable	-	(94,167)
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	451	4,677
Decrease in deferred transaction costs	-	64,677
Increase (decrease) in due to related parties	1,177	(158,876)
Increase due to third parties	-	28,267
Increase in accounts payable and accrued liabilities	49,191	44,270
Net cash provided by (used in) operating activities	12	(224,794)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions received	-	22,500
Net cash provided by financing activities	-	22,500
Increase (decrease) in cash	12	(202,294)
Cash, beginning of the period	143	210,464
Cash, end of the period	\$ 155	\$ 8,170

Supplemental disclosure with respect to cash flows (Note 10)

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.

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 debt. 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 August 31, 2020, the Company had a deficit of \$9,313,066 (February 29, 2020 - \$9,262,259) and a working capital deficiency of \$744,862 (February 29, 2020 - \$694,055). 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

The condensed consolidated interim 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 August 31, 2020 were reviewed by the Audit Committee and approved and authorized for issue on January 26, 2021 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 August 31, 2020
VV Mining Exploration Services Mexico S. DE. R. l	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.

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 29, 2020. Accordingly, these condensed interim financial statements for the period ended August 31, 2020 should be read together with the annual audited consolidated financial statements as at and for the year ended February 29, 2020.

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 had 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 was 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 was 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 allowing discount to the last trading price of the shares.

During the year ended February 28, 2019, the Company advanced CannOps \$197,457 (US\$150,000) in satisfaction of the non-refundable deposit. During the year ended February 29, 2020, the Company entered into a loan agreement with CannOps whereby the payment of US\$150,000 was to be repaid by CannOps by December 31, 2019. The loan is unsecured and non-interest bearing.

VATIC VENTURES CORP.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
For the six months ended August 31, 2020

4. DEFERRED TRANSACTION COSTS (cont'd...)

On October 31, 2019, the Company signed a binding letter of intent (“Indian LOI”) for a share exchange to acquire Indian Ocean Organics Ltd. (“Indian Ocean”). Indian Ocean had the right to acquire 70% of a company that held an exclusive permit for the exploration, cultivation, production, transportation and export of THC, CBD and its derivative medicinal plants and seeds (the “Permit”) in a west African country (the “Permitted Jurisdiction”). The Indian LOI supersedes and replaces Assignment Agreement.

The proposed transaction would constitute a change of business (“COB”) for Vatic.

During the year ended February 29, 2020, the Company decided to terminate the Indian LOI.

Under certain financial agreements with Vatic, Indian Ocean agreed to assume responsibility for the advance by the Company of certain funds including a \$197,457 (US\$150,000) deposit, of which \$87,142 was repaid by Indian Ocean, leaving an outstanding balance of \$110,315 (the “Advance”). The \$197,457 was advanced by Vatic under a guarantee agreement (the “Guarantee”) with the former President of the Company for fees of \$200,000. On January 29, 2020, with the termination of the COB, the Company called the Guarantee thereby writing off the fee payable of \$200,000 (Note 13).

The Company estimated that the Advance is uncollectable. Therefore, the Company has written off the remaining amount of the Advance of \$110,315 during the year ended February 29, 2020.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2020	February 29, 2020
Accounts payable	\$ 85,630	\$ 59,445
Accrued liabilities	153,906	130,900
	<u>\$ 239,536</u>	<u>\$ 190,345</u>

During the period ended August 31, 2020, the Company wrote off outstanding accounts payable in the amount of \$Nil (August 31, 2019 - \$94,167).

6. SHARE CAPITAL

Authorized: unlimited common shares without par value

During the period ended August 31, 2020:

There were no private placements during the period ended August 31, 2020 for the Company.

During the year ended February 29, 2020:

There were no private placements during the year ended February 29, 2020 for the Company.

VATIC VENTURES CORP.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
For the six months ended August 31, 2020

6. 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 at date the options were granted. 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 share-based payments, measured at 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, 2019	162,273	\$0.18	1.53
Balance, February 29, 2020	162,273	\$0.18	0.52
Expired	(112,273)	\$0.18	
Balance, August 31, 2020	50,000	\$0.18	0.11

As at August 31, 2020, 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	0.11	50,000	50,000	October 9, 2020
\$ 0.18	0.11	50,000	50,000	

Subsequent to the period ended August 31, 2020, all of the outstanding options expired unexercised.

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, 2019	21,075,589	\$0.24	1.27
Expired	(4,847,722)	\$0.34	
Balance, February 29, 2020	16,227,867	\$0.21	0.63
Expired	(6,990,990)	\$0.34	
Balance, August 31, 2020	9,236,877	\$0.10	0.41

VATIC VENTURES CORP.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
For the six months ended August 31, 2020

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

As at August 31, 2020, the following warrants are outstanding and exercisable:

Weighted average exercise price	Weighted Average Life (Years)	Number of warrants outstanding and exercisable	Expiry date
\$ 0.10	0.30	1,617,666	December 20, 2020 (i)
\$ 0.10	0.30	156,800	December 20, 2020 (i)
\$ 0.10	0.43	400,467	February 4, 2021
\$ 0.10	0.43	6,622,087	February 5, 2021
\$ 0.10	0.43	439,857	February 5, 2021
\$ 0.10	0.41	9,236,877	

(i) Subsequent to the period ended August 31, 2020, the outstanding warrants expired unexercised.

Share-based payments

The Company did not incur share-based payment costs during the period ended August 31, 2020 (August 31, 2019 - \$Nil) resulting from issuance of share options.

7. 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 during the period ended August 31, 2020.

8. 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.

VATIC VENTURES CORP.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
For the six months ended August 31, 2020

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

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 August 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash	\$ 155	\$ -	\$ -	\$ 155
Total	\$ 155	\$ -	\$ -	\$ 155

Assets	As at February 29, 2020			
	Level 1	Level 2	Level 3	Total
Cash	\$ 143	\$ -	\$ -	\$ 143
Total	\$ 143	\$ -	\$ -	\$ 143

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 the 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 August 31, 2020, the Company had cash of \$155 (February 29, 2020 – \$143), which is insufficient to settle current liabilities of \$751,617 (February 29, 2020 - \$701,249). 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.

VATIC VENTURES CORP.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
For the six months ended August 31, 2020

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

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.

The Company may have transactions that are denominated in US dollars. These transactions pose potential currency risks and may have a significant impact on the Company.

Based on the net exposures at August 31, 2020, 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.

9. 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.

	August 31, 2020	February 29, 2020
Former President	\$ 96,113	\$ 95,987
Former CEO	225,051	225,051
CEO	30,000	30,000
CFO	48,384	47,333
Total	\$ 399,548	\$ 398,371

During the periods ended August 31, 2020 and 2019, the Company paid or accrued management and consulting fees to its officers and directors as follows:

Management fees

	Six months ended	
	August 31, 2020	August 31, 2019
CFO	-	27,000
CEO	-	30,000
	\$ -	\$ 57,000

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions for the periods ended August 31, 2020 and 2019.

11. SUBSEQUENT EVENTS

On November 25, 2020, the BCSC issued the Company a Partial Revocation Order of the failure-to-file cease trade order in order to complete a series of loans in the aggregate amount of \$125,125 (the “Loans”). Such Loans are to carry a 15% per annum interest rate.