

VATIC VENTURES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED

AUGUST 31, 2018

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.

October 24, 2018

VATIC VENTURES CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars - unaudited)

	August 31, 2018	February 28, 2018
ASSETS		
Current		
Cash	\$ 157,137	\$ -
Amounts receivable	8,449	10,522
Prepaid expenses	6,915	7,286
	172,501	17,808
Non-current		
Equipment (Note 4)	4,751	5,333
Deposits (Note 6)	48,281	49,348
Exploration and evaluation assets (Note 6)	1,359,446	1,238,792
Total assets	\$ 1,584,979	\$ 1,311,281
LIABILITIES		
Current		
Bank indebtedness	\$ -	\$ 88,683
Accounts payable and accrued liabilities (Note 7)	119,115	156,288
Loans payable (Note 8)	-	43,163
Due to related parties (Note 12)	693,119	598,205
Total liabilities	812,234	886,339
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	7,043,279	5,395,805
Subscriptions received (Note 9)	-	(165,000)
Share-based payment reserve (Note 9)	9,277	9,277
Warrant reserve (Note 9)	57,475	57,475
Deficit	(6,481,309)	(5,026,169)
Equity attributable to shareholders	628,722	271,388
Non-controlling interest	144,023	153,554
Total shareholders' equity	772,745	424,942
Total liabilities and shareholders' equity	\$ 1,584,979	\$ 1,311,281

Nature of operations and going concern (Note 1)

Subsequent events (Note 15)

Approved by the Board of Directors

"Nasim Tyab"

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 - unaudited)

	Three months ended		Six months ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Expenses				
Amortization (Note 4)	\$ 260	\$ 261	\$ 582	\$ 390
Business development (Note 15)	10,370	-	923,176	5,013
Consulting fees	39,172	21,843	105,626	85,834
Management fees (Note 12)	171,000	-	180,000	5,000
Office and miscellaneous	11,625	10,708	20,504	30,282
Professional fees	77,245	12,303	108,115	61,858
Rent	2,578	1,690	6,005	2,735
Transfer agent and filing fees	12,606	9,013	33,785	10,889
Travel, meals and entertainment	45,418	45,184	89,820	100,714
Total expenses	(370,274)	(101,002)	(1,467,612)	(302,715)
Foreign exchange gain (loss)	302	2,690	507	1,577
Gain on derecognition of accounts payable (Note 7)	-	140,079	12,136	140,079
Interest expense (Note 8)	(9,703)	(1,963)	(9,703)	(3,782)
	(9,400)	140,806	2,941	137,874
Net and comprehensive loss for the period	\$ (379,674)	\$ 39,804	\$ (1,464,671)	\$ (164,841)
Net loss attributable to				
Shareholders of the Company	(375,648)	41,990	(1,455,140)	(150,033)
Non-controlling interest	(4,026)	(2,186)	(9,531)	(14,808)
	(379,674)	39,804	(1,464,671)	(164,841)
Weighted average number of common shares outstanding (basic and diluted)	23,562,459	34,871,307	20,930,489	34,014,233
Basic and diluted net loss per share	\$ (0.02)	\$ 0.00	\$ (0.07)	\$ (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' Equity (Deficiency)

(Expressed in Canadian Dollars - unaudited)

	Number of shares issued	Share Capital	Warrant reserve	Share-based payment reserve	Subscriptions received (receivable)	Deficit	Non-controlling interest	Total
Balance, March 1, 2016	997,276	\$ 2,979,788	\$ 31,056	\$ 65,630	\$ 128,250	\$ (3,800,036)	\$ -	\$ (595,312)
Net loss for the year	-	-	-	-	-	(677,643)	(4,251)	(681,894)
Private placement	7,110,383	1,243,837	-	-	(128,250)	-	-	1,115,587
Property acquisition	1,733,333	416,000	-	-	-	-	-	416,000
Finder's fee	-	(64,756)	-	-	-	-	-	(64,756)
Fair value of agent's warrants granted	-	(36,106)	36,106	-	-	-	-	-
Non-controlling interest arising on acquisition	-	-	-	-	-	-	181,020	181,020
Subscription received	-	-	-	-	114,200	-	-	114,200
Balance, February 28, 2017	9,840,992	4,538,763	67,162	65,630	114,200	(4,477,679)	176,769	484,845

	Number of shares issued	Share Capital	Warrant reserve	Share-based payment reserve	Subscriptions received (receivable)	Deficit	Non-controlling interest	Total
Balance, March 1, 2017	9,840,992	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 placements	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 warrants granted	-	(20,039)	20,039	-	-	-	-	-
Fair value of agent's warrants exercised	-	29,726	(29,726)	-	-	-	-	-
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	-	-	-	-	-	(1,455,140)	(9,531)	(1,464,671)
Private placement	9,441,810	1,679,592	-	-	165,000	-	-	1,844,592
Options exercised	150,000	22,500	-	-	-	-	-	22,500
Finder's fee	-	(54,618)	-	-	-	-	-	(54,618)
Balance, August 31, 2018	24,599,769	7,043,279	57,475	9,277	-	(6,481,309)	144,023	772,745

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 - unaudited)

	Six months ended	
	August 31, 2018	August 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (1,464,671)	\$ (164,841)
Adjustments for:		
Amortization	582	390
Interest expense	9,703	3,782
Gain on derecognition of accounts payable	(12,136)	-
Changes in non-cash working capital items:		
Increase in amounts receivable	2,073	(528)
Increase (decrease) in prepaid expenses	1,438	(12,689)
Decrease (increase) in due to related parties	94,914	236,235
Increase (decrease) in accounts payable and accrued liabilities	(23,284)	(152,470)
Net cash used in operating activities	(1,391,382)	(90,121)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Equipment	-	(2,678)
Exploration and evaluation assets	(120,654)	(209,171)
Net cash used in investing activities	(120,654)	(211,849)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital	1,647,474	406,125
Subscriptions received	165,000	(82,770)
Share issuance costs	(54,618)	(23,436)
Net cash provided by financing activities	1,757,856	299,919
Increase (decrease) in cash	245,820	(2,051)
Cash, beginning of the period	(88,683)	3,874
Cash, end of the period	\$ 157,137	\$ 1,823

Supplemental disclosure with respect to cash flows (Note 13)

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 August 31, 2018, the Company had a deficit of \$6,481,309 (February 28, 2018 - \$5,026,169) and a working capital deficiency of \$639,733 (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 period ended August 31, 2018, were reviewed by the Audit Committee and approved and authorized for issue on October 24, 2018 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, 2018
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%
Saksrithai Development Co. Ltd.	March 11, 2014	Thailand	80%

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 28, 2018. Accordingly, these condensed interim financial statements for the period ended August 31, 2018 should be read together with the annual audited consolidated financial statements as at and for the year ended February 28, 2018.

4. 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
Additions	-	-	-
At August 31, 2018	\$ 4,475	\$ 9,261	\$ 13,736
Amortization:			
At February 28, 2018	1,965	6,438	8,403
Charges for the period	151	431	582
At August 31, 2018	\$ 2,116	\$ 6,869	\$ 8,985
Net book value:			
At August 31, 2018	\$ 2,359	\$ 2,392	\$ 4,751

5. ASSET ACQUISITION

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”). This transaction is accounted for as an asset acquisition. The Company accounts for Saksrithai in accordance with IFRS 10, Consolidated Financial Statements.

The following table summarizes the consideration paid, the relative fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Cash	\$	308,081
Common shares (5,200,000 shares)		416,000
	\$	<u>724,081</u>
Cash		70
Deposit		45,168
Amounts receivable		366
Prepaid expenses		1,640
Exploration and evaluation assets		859,366
Accrued liabilities		(1,509)
Net Assets	\$	905,101
Non-controlling interest		(181,020)
Total	\$	<u>724,081</u>

The amount of net loss attributable to Saksrithai included in the consolidated statements of operations and comprehensive loss for the period ended August 31, 2018 was \$7,611 (2017 - \$12,644).

6. 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		120,654	120,654
Balance, August 31, 2018	\$	1,359,446	\$ 1,359,446

6. 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 August 31, 2018, the deposits are recorded as a long term asset at \$48,281 (February 28, 2018 - \$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.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2018	February 28, 2018
Accounts payable	68,562	\$73,792
Accrued liabilities	50,553	82,496
	\$119,115	\$156,288

During the period ended August 31, 2018, the Company wrote off outstanding accounts payable in the amount of \$12,136.

8. LOANS PAYABLE

As at February 28, 2017, loans payable consisted of three loans with a total carrying value of \$64,206. All of the loans are unsecured, due on demand and bear interest at 10% or 12% per annum.

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 12). The Company accrued \$134 (2017 - \$9,960) in interest expense and repayment of \$nil (2017 - \$121,000) was made against the outstanding loans during the year ended February 28, 2018. During the period ended August 31, 2018, the loans were settled with private placement.

9. 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 period ended August 31, 2018:

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.

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 \$995,000. 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.

9. 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 options to acquire 694,444 Shares at a price of \$0.18 per Share for a period of 24 months from the Closing Date; and (iv) the issuance of nontransferable options to acquire 112,273 Units. Immediately after the issuance of the Units on the Closing Date, the Company had 24,599,769 Shares issued and outstanding.

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, and expected volatility of 124%. 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, and expected volatility of 124%. 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.

9. **SHARE CAPITAL** (cont'd...)

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 and expected volatility of 103%. The company also incurred other share issuance costs of \$11,000 in connection with the financing.

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	1.36
Granted	150,000	\$0.15	1.54
Expired	(7,604)	\$9.60	
Balance, February 28, 2018	150,000	\$0.15	0.36
Exercised	(150,000)	\$0.15	
Balance, August 31, 2018	-	NA	NA

During the period ended August 31, 2018, 150,000 options were exercised for proceeds of \$22,500.

VATIC VENTURES CORP.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the six months ended August 31, 2018

9. 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	(330,555)	\$ 0.45	
Granted - private placement	9,616,313	0.36	
Granted - finder's warrants	1,258,772	0.35	
Balance, August 31, 2018	18,164,615	\$ 0.35	0.92

As at August 31, 2018, 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	0.39	2,363,719	October 20, 2018
0.45	0.39	22,233	October 20, 2018
0.30	0.68	3,317,522	February 2, 2019
0.30	0.68	81,667	February 2, 2019
0.30	0.75	933,333	March 1, 2019
0.30	0.81	1,786,667	March 21, 2019
0.30	0.81	143,333	March 21, 2019
0.45	0.82	1,385,556	March 26, 2019
0.23	0.82	432,722	March 26, 2019
0.30	0.86	646,667	April 11, 2019
0.39	0.93	5,102,410	May 7, 2019
0.39	0.93	19,333	May 7, 2019
0.25	2.23	1,122,736	August 23, 2020
0.18	2.23	112,273	August 23, 2020
0.18	2.23	694,444	August 23, 2020
\$ 0.35	0.92	18,164,615	

Share-based payments

There were no share-based payment transactions during the period ended August 31, 2018 and 2017.

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 August 31, 2018.

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.

Assets	As at August 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash	\$ 157,137	\$ -	\$ -	\$ 157,137
Total	\$ 157,137	\$ -	\$ -	\$ 157,137

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

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.

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

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 receivables 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 August 31, 2018, the Company had cash of \$157,137 (February 28, 2018 – \$nil), which is insufficient to settle current liabilities of \$794,786 (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 and Thai Baht. The Company may become exposed to currency fluctuations on mineral exploration and evaluation expenditures which are denominated in Thai Baht and operating expenses denominated in US dollars, and Thai Baht. These potential currency risks could have a significant impact on the Company.

As at August 31, 2018, the Company was exposed to currency risk through the following monetary assets and liabilities in Thai Baht:

Deposits in Thai Baht – 1,211,880

Accounts payable and accrued liabilities in Thai Baht – 1,033,475

Based on the net exposures at August 31, 2018, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Thai Baht would not have a significant impact on the Company's net loss and comprehensive loss.

12. 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.

The amounts owed to the CEO and the President are for loans and advances provided to the Company and expenses incurred on Company business and will not be repaid until there is sufficient working capital to first fund exploration and operating costs before repayment.

Due to related parties	August 31, 2018		February 28, 2018	
President	\$	236,562	\$	205,127
CEO		373,134		296,655
CFO		46,270		59,270
Previous Director		37,153		37,153
Total	\$	693,119	\$	598,205

During the period ended August 31, 2018 and 2017, the Company paid or accrued management and directors' fees to its officers and directors as follows:

	Six months ended			
	August 31, 2018		August 31, 2017	
President	\$	80,000	\$	-
CEO		80,000		-
CFO		20,000		5,000
	\$	180,000	\$	5,000

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There are no significant non-cash transactions for the period ended August 31, 2018:

14. SEGMENTED INFORMATION

The Company's headquarters is in Canada. Its business is considered to be in one segment, being mineral property acquisition, exploration and development in Thailand.

	Canada		Thailand		Total
Equipment	\$	1,570	\$	3,181	\$ 4,751
Exploration and evaluation assets		-		1,359,446	1,359,446
	\$	1,570	\$	1,362,627	\$ 1,364,197

15. SUBSEQUENT EVENTS

On September 10, 2018, the Company announced that it is listed on the OTC Link ATS under the symbol "VTTCF". This enables US investors to purchase and hold the Company's shares in their accounts. In addition, the Company has been made eligible for Depository Trust Company electronic settlement and transfer of its common shares in the United States. The DTC is a subsidiary of the Depository Trust & Clearing Corp. that manages the electronic clearing and settlement of publicly traded companies. Securities that are eligible to be electronically cleared and settled through the DTC are considered DTC eligible. This electronic method of clearing securities accelerates the settlement process for investors.

On June 28, 2018, the Company announced that it had signed a memorandum of understanding (the "MOU") with Falcon Gold Corp. ("Falcon") for the Wabunk Bay cobalt claims (the "Property") adjoining Uchi mine, northwestern Ontario, Canada. Vatic has the right to earn a 60% interest from Falcon (the "Option") by meeting certain expenditure and consideration requirements on the Property. Falcon has an underlying agreement with the property owner whereby it has the right to acquire a 100% interest in 2 (cobalt, copper, nickel & PGE's) mining claims in Earngey Township in the Kenora District of northwestern Ontario. The claims comprise 19 claim units and cover an area of approximately 304 hectares (see the Falcon press release of June 13, 2018). The Wabunk Bay property is highly prospective for cobalt, and the Company believes that it can explore and develop potential in a short timeframe there.

In accordance with the terms of the MOU Vatic can exercise the Option by:

- a) paying to Falcon a \$25,000 deposit;
- b) issuing to Falcon an initial 200,000 units at \$0.18 per unit, each unit consisting of one common
- c) share plus a warrant to purchase a further common share for \$0.25 exercisable for two years (the "Initial Units");
- d) completing exploration expenditures of \$750,000 on the Property by June 27, 2019;
- e) issuing by June 27, 2019 an additional 200,000 units on the same terms as the Initial Units; and
- f) paying to Falcon an additional \$275,000 by June 27, 2019.

The Property is subject to a 2 kilometer area of interest and is subject to a 1% NSR in favor of the underlying owner which can be purchased for \$1 million any time before commercial production. Upon exercise of the Option the Company and Falcon will form a 60/40 joint venture for further development of the Property subject to the right of the Company to acquire Falcon's 40% interest by issuing shares of the Company to Falcon based on a valuation to be conducted by at least three valuers.

Subsequent to August 31, 2018, on September 17, 2018, the Company terminated its Option on the Wabunk Bay Property. Under the terms of the MOU, the Company had paid Falcon a non-refundable deposit of \$25,000.