

**NOTICE OF MEETING  
AND  
MANAGEMENT INFORMATION CIRCULAR  
RELATING TO  
THE SPECIAL MEETING OF  
THE SHAREHOLDERS  
OF  
MATICA ENTERPRISES INC.  
ON MARCH 10, 2015**

**These materials are important and require your immediate attention. The shareholders of Matica Enterprises Inc. are required to make important decisions. If you have questions as to how to deal with these documents or the matters to which they refer, please contact your financial, legal or other professional advisor.**

**MATICA ENTERPRISES INC.**  
**44 Victoria Street, Suite 1102**  
**Toronto, Ontario M5C 1Y2**

January 30, 2015

Dear Shareholder:

You are invited to attend the special meeting (the “**Meeting**”) of the shareholders of Matica Enterprises Inc. (“**Matica**”) to be held on March 10, 2015 at 44 Victoria Street, Suite 1102, Toronto, Ontario, M5C 1Y2 at 10:00 a.m. (Toronto time).

The purpose of the Meeting is to seek your authorization and approval for a statutory procedure known as a plan of arrangement (the “**Arrangement**”). Pursuant to the Arrangement, each issued and outstanding common share of Matica will be exchanged for one New Matica Share and one Class 1 Reorganization Share, one Class 2 Reorganization Share, one Class 3 Reorganization Share and one Class 4 Reorganization Share of Matica.

All of the Class 1 Reorganization Shares will be transferred by shareholders to Ravenline Exploration Ltd. (“**Spinco1**”), a private Ontario company, in exchange for 22,310,666 common shares of Spinco1 to be issued to shareholders on a pro rata basis (resulting in approximately one-third of one common share of Spinco1 being issued for every one Class 1 Reorganization Share) and Matica will redeem all of the Class 1 Reorganization Shares by the transfer to Spinco1 of \$20,000 of working capital and the material mining assets currently owned by Matica.

All of the Class 2 Reorganization Shares will be transferred by shareholders to 1022607 B.C. Ltd. (“**Spinco2**”), a private British Columbia company, in exchange for 4,462,133 common shares of Spinco2 to be issued to shareholders on a pro rata basis (resulting in approximately one-fifteenth of one common share of Spinco2 being issued for every one Class 2 Reorganization Share) and Matica will redeem all of the Class 2 Reorganization Shares by the transfer to Spinco2 of \$20,000 of working capital and its interest in a letter of intent with 2426702 Ontario Inc.

All of the Class 3 Reorganization Shares will be transferred by shareholders to 1022608 B.C. Ltd. (“**Spinco3**”), a private British Columbia company, in exchange for 892,426 common shares of Spinco3 to be issued to shareholders on a pro rata basis (resulting in approximately one-seventy fifth of one common share of Spinco3 being issued for every one Class 3 Reorganization Share) and Matica will redeem all of the Class 3 Reorganization Shares by the transfer to Spinco3 of \$20,000 of working capital and its interest in a letter of intent with Ludwig Industrial Solutions Limited.

All of the Class 4 Reorganization Shares will be transferred by shareholders to 1024250 B.C. Ltd. (“**Spinco4**”), a private British Columbia company, in exchange for 4,462,133 common shares of Spinco4 to be issued to shareholders on a pro rata basis (resulting in approximately one-fifteenth of one common share of Spinco4 being issued for every one Class 4 Reorganization Share) and Matica will redeem all of the Class 4 Reorganization Shares by the transfer to Spinco4 of \$20,000 of working capital and its interest in a joint venture agreement with Bellerosa Distributing Ltd.

As a result of the Arrangement, holders of common shares of Matica of record on January 15, 2015 (the “**Share Distribution Record Date**”) will end up holding common shares in each of Spinco1, Spinco2, Spinco3 and Spinco4 (the “**Spincos**”) and each of the Spincos will hold the working capital and assets transferred to it by Matica. Holders of common shares of Matica of record on the effective date of the Arrangement will remain shareholders of Matica and Matica will retain its remaining assets and working capital. At the effective time of the Arrangement, shareholders of Matica of record on the Share Distribution Record Date will hold all of the issued and outstanding common shares of the Spincos.

The purpose of the Arrangement is to restructure Matica by creating the Spincos which will each become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario upon completion of the Arrangement.

As described above, on the Effective Date of the Arrangement, which is expected to be in March 2015, your common shares of Matica held as of the Share Distribution Record Date will, through a series of steps, be exchanged for a lesser number of common shares of each of the Spincos.

The Arrangement is subject to such listing being obtained, however there is no assurance that a public market will continue in the new common shares of Matica or that there will be a public market for the common shares of any of the Spincos after the Arrangement. This is explained in more detail in the information circular for the Meeting which accompanies this letter.

The Board of Directors of Matica unanimously believes that the Arrangement is in the best interests of Matica and its shareholders, and unanimously recommends that you vote FOR the Arrangement. Without the prescribed approval of the holders of common shares of Matica, which is approval by two-thirds of the votes cast at the Meeting, the proposed Arrangement cannot take place. It should be noted that the Arrangement also requires the approval of the Supreme Court of British Columbia.

**The attached Notice of Meeting and Management Information Circular contain a detailed description of the Arrangement and include certain other information to assist you in considering the matters to be voted upon. You are urged to carefully consider all of the information in the accompanying Management Information Circular, including the documents incorporated by reference therein. If you require assistance, you should consult your financial, legal, or other professional advisors.**

### ***Voting***

Your vote is important regardless of the number of Matica Shares that you own. If you are a registered Matica Shareholder and are unable to be present in person at the Meeting, we encourage you to vote by completing the enclosed form of proxy. You should specify your choice by marking the box on the enclosed form of proxy and by dating, signing and returning your proxy in the enclosed return envelope addressed to Capital Transfer Agency, at its offices at 401 - 121 Richmond Street, Toronto, Ontario M5H 2K1, or by facsimile to (416) 350-5008. Alternatively, you may submit your vote by email to [cgoodale@capitaltransferagency.com](mailto:cgoodale@capitaltransferagency.com). In all cases, your proxy vote must be received at least 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting. Please do this as soon as possible. Voting by proxy will not prevent you from voting in person if you attend the Meeting and revoke your proxy, but will ensure that your vote will be counted if you are unable to attend.

If you are not registered as the holder of your Matica Shares but hold your Matica Shares through a broker or other intermediary, you should follow the instructions provided by your broker or other intermediary to vote your Matica Shares. See the section in the accompanying Management Information Circular entitled “*General Proxy Information — Non-Registered Holders*” for further information on how to vote your Matica Shares.

**If you are not sure whether you are a Registered Matica Shareholder, please contact Capital Transfer Agency at 1-800-631-0940.**

If you hold your Matica Shares through a broker or other person, please contact that broker or other person for instructions and assistance in receiving the New Matica Shares, Spinco1 Shares, Spinco2 Shares, Spinco3 Shares and Spinco4 Shares, as applicable, issuable upon exchange of Matica Shares.

While certain matters, such as the timing of the receipt of Court approval, are beyond the control of Matica, if the resolution approving the Arrangement is passed by the requisite majorities at the Meeting, it is anticipated that the Arrangement will be completed and become effective on or about March, 2015.

On behalf of Matica, we would like to thank you for your continued support as we proceed with this important transaction.

Sincerely,

/s/ "Boris Ziger"

Boris Ziger  
Chief Executive Officer and Director  
Matica Enterprises Inc.

**MATICA ENTERPRISES INC.**  
**44 Victoria Street, Suite 1102**  
**Toronto, Ontario M5C 1Y2**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TAKE NOTICE** that pursuant to an order of the Supreme Court of British Columbia dated January 30, 2015, a special meeting (the “**Meeting**”) of shareholders (the “**Matica Shareholders**”) of Matica Enterprises Inc. (“**Matica**”) will be held in the offices of Matica located at 44 Victoria Street, Suite 1102, Toronto, Ontario, M5C 1Y2 on March 10, 2015, at 10:00 a.m. (Toronto time), for the following purposes:

1. to consider and, if thought advisable, to pass, with or without variation, a special resolution (the “**Arrangement Resolution**”) approving an arrangement (the “**Plan of Arrangement**”) under Section 288 of the Business Corporations Act (British Columbia) (the “**Business Corporations Act**”) which involves, among other things, the distribution to the Matica Shareholders shares of Ravenline Exploration Ltd. (“**Spinco1**”), 1022607 B.C. Ltd. (“**Spinco2**”), 1022608 B.C. Ltd. (“**Spinco3**”) and 1024250 B.C. Ltd. (“**Spinco4**”), currently wholly-owned subsidiaries of Matica, all as more set out in the management information circular of Matica (the “**Circular**”); and
2. to transact such further or other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

**AND TAKE NOTICE that registered Matica Shareholders who validly dissent from the Plan of Arrangement will be entitled to be paid the fair value of their shares, subject to strict compliance with Sections 237 to 247 of the Business Corporations Act, as modified by the provisions of the interim order, the proposed final order and the Plan of Arrangement. The dissent rights are described in Schedule “E” of the Circular. Failure to comply strictly with the requirements set forth in Sections 237 to 247 of the Business Corporations Act, as modified, may result in the loss of any right of dissent.**

The Circular contains the full text of the Arrangement Resolution and provides additional information relating to the subject matter of the Meeting, including the Arrangement, and is deemed to form part of this Notice of Meeting. Also accompanying this notice is either a form of proxy for Registered Matica Shareholders for use at the Meeting. Any adjourned meeting resulting from an adjournment of the Meeting will be held at a time and place to be specified at the Meeting. Only Matica Shareholders of record at the close of business on January 15, 2015, will be entitled to receive notice of and vote at the Meeting.

**Notice-and-Access**

Matica is utilizing the notice-and-access mechanism (the “**Notice-and-Access Provisions**”) that came into effect on February 11, 2013 under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 – *Continuous Disclosure Obligations, for distribution of Meeting materials to registered and beneficial Shareholders*.

**Website Where Meeting Materials are Posted**

The Notice-and-Access Provisions are a new set of rules that allows reporting issuers to post electronic versions of proxy-related materials (such as proxy circulars and annual financial statements) on-line, via the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) and one other website, rather than mailing paper copies of such materials to Shareholders. Electronic copies of the Circular may be found on Matica’s SEDAR profile at [www.sedar.com](http://www.sedar.com) and also on Matica’s website at [www.maticenterprises.com](http://www.maticenterprises.com) under the “Investors” heading. Matica will not use procedures known as “stratification” in relation to the use of Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of the Circular to some Matica Shareholders with this notice package. In relation to the Meeting, all Matica Shareholders

will receive the required documentation under the Notice-and-Access Provisions, which will not include a paper copy of the Circular.

### **Obtaining Paper Copies of Materials**

Matica anticipates that using notice-and-access for delivery to all Matica Shareholders will directly benefit Matica through a substantial reduction in both postage and material costs, and also promote environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials. Shareholders with questions about notice-and-access can call Matica's transfer agent Capital Transfer Agency, Inc. ("**Capital Transfer**") toll-free at 1-800-631-0940. Matica Shareholders may also obtain paper copies of the Circular free of charge by contacting Capital Transfer at the same toll-free number or upon request to Matica's Corporate Secretary.

A request for paper copies which are required in advance of the Meeting should be sent so that they are received by Matica or Capital Transfer, as applicable, by February 23, 2015 in order to allow sufficient time for Matica Shareholders to receive the paper copies and to return their proxies or voting instruction forms to intermediaries not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof (the "**Proxy Deadline**").

### **Voting**

Matica Shareholders are entitled to vote at the Meeting either in person or by proxy. Registered Matica Shareholders who are unable to attend the Meeting in person are encouraged to read, complete, sign, date and return the enclosed form of proxy in accordance with the instructions set out in the proxy and in the Circular. If you are a non-registered Matica Shareholder and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or the other intermediary. Failure to do so may result in your shares of Matica not being voted at the Meeting.

DATED at Toronto, Ontario this 29th day of January, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ "Boris Ziger"

Boris Ziger  
Chief Executive Officer and Director

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Schedule “G” - Audited Financial Statements and MD&A of Matica for the Year Ended December 31, 2013
Schedule “H” - Description of Assets

**MATICA ENTERPRISES INC.**  
**44 Victoria Street, Suite 1102**  
**Toronto, Ontario M5C 1Y2**

This Circular is furnished in connection with the solicitation of proxies by management of Matica Enterprises Inc. for use at a special meeting of shareholders of Matica to be held on March 10, 2015.

Unless the context otherwise requires, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Glossary of Terms in this Circular.

In considering whether to vote for the approval of the Arrangement, Matica Shareholders should be aware that there are various risks, including those described in the Sections entitled “*Information Concerning Matica - Risk Factors*”; *Information Concerning Spinco1 - Risk Factors*”, *Information Concerning Spinco2 - Risk Factors*” , *Information Concerning Spinco3 - Risk Factors*”; and *Information Concerning Spinco4 - Risk Factors*” in this Circular. Matica Shareholders should carefully consider these risk factors, together with other information included in this Circular, before deciding whether to approve the Arrangement.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Circular contains forward-looking information, which is disclosure regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Examples of such forward-looking information in this Circular include disclosure relating to the following:

- the terms of the Arrangement;
- the shareholder approval requirements;
- the names of the Spincos going forward;
- the inter-corporate relationships of the Spincos going forward;
- the securities of the Spincos going forward;
- the business and operations of the Spincos going forward;
- the pro forma consolidated capitalization of the Spincos going forward;
- the funds available to Matica and the Spincos and the principal purposes of those funds;
- the principal securityholders of the Spincos going forward;
- the directors and officers of the Spincos going forward;
- the proposed executive compensation structure of the Spincos going forward;
- the auditor of the Spincos going forward; and
- the transfer agent and registrar of the Spincos going forward.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this Circular. The forward-looking information in this Circular is based on a number of assumptions which may prove to be incorrect, including, but not limited to the following:

- general economic conditions;
- the ability of Matica to complete the Arrangement;
- the ability of the parties to complete the Arrangement, including obtaining shareholder approval and court approval;
- the ability of Matica and the Spincos to successfully continue operations after the Arrangement and manage risks associated with their businesses and operations going forward; and
- the ability of Matica and the Spincos to obtain necessary financing going forward.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Matica and the Spincos to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some of these risks, include, but are not limited to the following:

- the parties may not be able to complete the Arrangement on the terms specified in this Circular or at all;
- the parties will need additional financing going forward, and may not be able to secure such financing on terms acceptable to them;
- the success of the parties depends on the successful implementation of their business plans; and
- the parties are subject to various political, economic and regulatory changes in their respective industries that could force them to modify their business plans.

The factors identified above are not intended to represent a complete list of the factors that could affect Matica, and the Spincos. Additional risk factors are noted under the headings “*Information Concerning Matica - Risk Factors*”; “*Information Concerning Spinco1 - Risk Factors*”, “*Information Concerning Spinco2 - Risk Factors*”, “*Information Concerning Spinco3 - Risk Factors*”; and “*Information Concerning Spinco4 - Risk Factors*” in this Circular.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this Circular. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this Circular. All subsequent forward-looking information attributable to Matica and the Spincos herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. Matica and the Spincos do not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this Circular or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

#### **INFORMATION CONTAINED IN THIS CIRCULAR**

The information contained in this Circular, unless otherwise indicated, is given as of January 26, 2015.

No Person has been authorized to give any information or to make any representation in connection with the matters being considered herein other than those contained in this Circular and, if given or made, such information or representation should not be considered or relied upon as having been authorized. This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any Person in any jurisdiction in which such an offer or solicitation is not authorized or permitted or in which the Person making

such offer or solicitation is not qualified to do so or to any Person to whom it is unlawful to make such an offer or proxy solicitation. Neither the delivery of this Circular nor any distribution of securities referred to herein should, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Circular.

Information contained in this Circular should not be construed as legal, tax or financial advice and Matica Shareholders are urged to consult their own professional advisors in connection with the matters considered in this Circular.

Descriptions in the body of this Circular of the terms of the Arrangement Agreement and the Plan of Arrangement are merely summaries of the terms of those documents. Matica Shareholders should refer to the full text of the Arrangement Agreement and the Plan of Arrangement for complete details of those documents. A copy of the Arrangement Agreement has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and the Plan of Arrangement is attached as Schedule "B" to this Circular.

## GLOSSARY OF TERMS

In this Circular and accompanying Notice of Meeting, unless otherwise defined herein or unless there is something in the subject matter inconsistent therewith, the following terms have the respective meanings set out below, words importing the singular number include the plural and vice versa and words importing any gender include all genders.

<b>“Additional Buckingham North Property”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .
<b>“Additional Buckingham Option Agreement”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .
<b>“Additional Buckingham Shares”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .
<b>“affiliate”</b>	has the meaning ascribed thereto in the Business Corporations Act.
<b>“allowable capital loss”</b>	has the meaning ascribed thereto in <i>“Certain Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Losses”</i> .
<b>“Arrangement”</b>	means the arrangement under the provisions of Section 288 of the Business Corporations Act pursuant to which Matica proposes to reorganize its business and assets, and which is set out in detail in the Plan of Arrangement.
<b>“Arrangement Agreement”</b>	means the arrangement agreement dated January 26, 2015 among Matica and the Spincos, a copy of which is available on SEDAR under Matica’s profile at <a href="http://www.sedar.com">www.sedar.com</a> , and any amendment(s) or variation(s) thereto.
<b>“Arrangement Resolution”</b>	means the special resolution to be considered by the Matica Shareholders to approve the Arrangement, substantially in the form and content set out in Schedule “A” to this Circular.
<b>“Assets”</b>	means the Mining Assets, the THCO LOI, the LISL LOI and the Bellerosa JV Agreement.
<b>“Bellerosa”</b>	means Bellerosa Distributing Ltd.
<b>“Bellerosa JV”</b>	means the joint venture formed pursuant to the Bellerosa JV Agreement.
<b>“Bellerosa JV Agreement”</b>	means the joint venture agreement dated August 25, 2014 between Bellerosa and Matica, as amended December 9, 2014.
<b>“Beneficial Shareholders”</b>	has the meaning ascribed thereto in <i>“General Proxy Information”</i> .
<b>“Broadridge”</b>	means Broadridge Financial Solutions Inc.
<b>“Buckingham North Option Agreement”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .
<b>“Buckingham North Property”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .
<b>“Buckingham North Shares”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .

<b>“Buckingham Property”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .
<b>“Business Corporations Act”</b>	means the <i>Business Corporations Act</i> (British Columbia), as amended.
<b>“Business Day”</b>	means any day other than a Saturday, a Sunday or a day observed as a holiday in Vancouver, British Columbia under the Laws of the Province of British Columbia or the federal Laws of Canada.
<b>“Canadian Securities Laws”</b>	means collectively, and as the context may require, the securities legislation of each of the provinces and territories of Canada, and the rules, regulations and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date.
<b>“Capital Transfer”</b>	means Capital Transfer Agency, Inc., Matica’s transfer agent.
<b>“CEO”</b>	means the Chief Executive Officer.
<b>“CFO”</b>	means the Chief Financial Officer.
<b>“Circular”</b>	means collectively, the Notice of Meeting and this Management Information Circular of Matica, including all appendices hereto, sent to Matica Shareholders in connection with the Meeting.
<b>“Class 1 Reorganization Shares”</b>	means the Class 1 shares without par value in the capital of Matica, which will be issued as part of the Arrangement as set forth in the Arrangement Agreement.
<b>“Class 2 Reorganization Shares”</b>	means the Class 2 shares without par value in the capital of Matica, which will be issued as part of the Arrangement as set forth in the Arrangement Agreement.
<b>“Class 3 Reorganization Shares”</b>	means the Class 3 shares without par value in the capital of Matica, which will be issued as part of the Arrangement as set forth in the Arrangement Agreement
<b>“Class 4 Reorganization Shares”</b>	means the Class 4 shares without par value in the capital of Matica, which will be issued as part of the Arrangement as set forth in the Arrangement Agreement.
<b>“Code”</b>	means the United States Internal Revenue Code of 1986, as amended.
<b>“Court”</b>	means the British Columbia Supreme Court.
<b>“CRA”</b>	means the Canada Revenue Agency.
<b>“CSE”</b>	means the Canadian Securities Exchange.
<b>“Dissent Procedures”</b>	has the meaning ascribed thereto in <i>“Dissent Rights”</i> .
<b>“Dissent Rights”</b>	means the rights of dissent of Registered Matica Shareholders in respect of the Arrangement as described in the Plan of Arrangement.

<b>“Dissenting Shareholder”</b>	means a Registered Matica Shareholder who dissents in respect of the Arrangement in strict compliance with the Dissent Procedures.
<b>“Dissenting Shares”</b>	means the Matica Shares with respect to which Registered Matica Shareholders have exercised Dissent Rights.
<b>“Effective Date”</b>	means the date the Arrangement completes.
<b>“Effective Time”</b>	means the time when the transactions contemplated herein will be deemed to have been completed, which will be 12:01 a.m. (Pacific Time) on the Effective Date or such other time as the parties agree to in writing.
<b>“Final Order”</b>	means the final order of the Court approving the Arrangement as such order may be amended at any time before the Effective Date or, if appealed, then, unless such appeal is abandoned or denied, as affirmed.
<b>“Fundamental Change”</b>	has the meaning ascribed to it under CSE Policy 8 - <i>Fundamental Changes</i> .
<b>“Governmental Entity”</b>	means any (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, (ii) subdivision, agent, commission, board, or authority of any of the foregoing, or (iii) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.
<b>“Grumpy Lizard LOI”</b>	has the meaning ascribed thereto in “ <i>Information Concerning Matica - Description of the Business - Mining Assets</i> ”.
<b>“Grumpy Lizard Option Agreement”</b>	has the meaning ascribed thereto in “ <i>Information Concerning Matica - Description of the Business - Mining Assets</i> ”.
<b>“Grumpy Lizard Project”</b>	has the meaning ascribed thereto in “ <i>Information Concerning Matica - Description of the Business - Mining Assets</i> ”.
<b>“Holder”</b>	has the meaning ascribed thereto in “ <i>Certain Canadian Federal Income Tax Considerations</i> ”.
<b>“IFRS”</b>	means International Financial Reporting Standards.
<b>“Interim Order”</b>	means the interim order of the Court granted January 30, 2015 providing for, among other things, the calling and holding of the Meeting and related matters, as such order may be amended, supplemented or varied by the Court.
<b>“IRS”</b>	means the United States Internal Revenue Service.
<b>“JP”</b>	means JP & Associates Inc.



<b>“Laws”</b>	means all statutes, regulations, statutory rules, policies, orders, and terms and conditions of any grant of approval, permission, authority or license of any court, Governmental Entity, statutory body or regulatory authority (including the CSE), and the term “applicable” with respect to such Law and in the context that refers to one or more Persons, means that such Law applies to such Person or Persons or its or their business, undertaking, property or securities and emanates from a Governmental Entity, statutory body or regulatory authority having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities.
<b>“License”</b>	means a license to produce medical marijuana granted by Health Canada under the MMPR.
<b>“LISL”</b>	means Ludwig Industrial Solutions Limited.
<b>“LISL Agreement”</b>	means the acquisition agreement anticipated to be entered into between Spinco3 and LISL in respect of the Proposed LISL Acquisition, subject to completion of the Arrangement.
<b>“LISL LOI”</b>	means the letter of intent dated December 23, 2014 entered into by Matica and LISL.
<b>“Maniwaki Option Agreement”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .
<b>“Maniwaki Property”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .
<b>“Maniwaki Shares”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .
<b>“material fact” and “material change”</b>	have the meanings ascribed thereto in the Securities Act.
<b>“Matica”</b>	means Matica Enterprises Inc., a company existing under the laws of British Columbia.
<b>“Matica Board”</b>	means the board of directors of Matica.
<b>“Matica Option”</b>	means an option to purchase Matica Shares.
<b>“Matica Securities”</b>	means Matica Shares, Matica Options and Matica Warrants outstanding as of the applicable date.
<b>“Matica Share Commitments”</b>	means an obligation of Matica to issue New Matica Shares and to deliver Spinco Shares to the holders of Matica Options and Matica Warrants which are outstanding on the Effective Date, upon the exercise of such stock options and warrants.
<b>“Matica Shareholder”</b>	means a holder of Matica Shares.
<b>“Matica Shares”</b>	means the common shares in the capital of Matica.

<b>“Matica Warrants”</b>	means the common share purchase warrants of Matica outstanding on the Effective Date.
<b>“Meeting”</b>	means the special meeting of Matica Shareholders to be held to consider, among other matters, the Arrangement Resolution, including any adjournment or adjournments thereof.
<b>“Meeting Materials”</b>	means the notice of Meeting, this Circular and the form of proxy.
<b>“Mining Assets”</b>	means all the material mining assets held by Matica.
<b>“misrepresentation”</b>	has the meaning ascribed thereto in the Securities Act.
<b>“MMAR”</b>	means the Medical Marijuana Access Regulations.
<b>“MMPR”</b>	means the Marijuana for Medical Purposes Regulations.
<b>“Named Executive Officer”</b>	(a) each CEO, (b) each CFO, (c) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000; and (d) each individual who would be a NEO under (c) above but for the fact that the individual was neither an executive officer of Matica, nor acting in a similar capacity, at the end of that financial year.
<b>“New Matica Share”</b>	means the new class of common shares without par value which Matica will create pursuant to the Plan of Arrangement and which, immediately after the Effective Date, will be identical in every relevant respect to the Matica Shares.
<b>“NI 43-101”</b>	means National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> .
<b>“NI 45-102”</b>	means National Instrument 45-102 – <i>Resale of Securities</i> .
<b>“NI 54-101”</b>	means National Instrument 54-101 - <i>Communication with Beneficial Owners of Securities of a Reporting Issuer</i>
<b>“NOBOs”</b>	has the meaning ascribed thereto in “ <i>General Proxy Information</i> ”.
<b>“Non-Registered Holder”</b>	has the meaning ascribed thereto in “ <i>General Proxy Information – Non-Registered Holders</i> ”.
<b>“Non-Resident Dissenter”</b>	has the meaning ascribed thereto in “ <i>Certain Canadian Federal Income Tax Considerations - Dissenting Non-Resident Holders</i> ”.
<b>“Non-Resident Holder”</b>	has the meaning ascribed thereto in “ <i>Certain Canadian Federal Income Tax Considerations - Holders Not Resident in Canada</i> ”.
<b>“Non-U.S. Holder”</b>	has the meaning ascribed thereto in “ <i>Certain United States Federal Income Tax Considerations</i> ”.
<b>“Notice-and-Access Provisions”</b>	has the meaning ascribed thereto in “ <i>Notices-and-Access</i> ”.

<b>“NSR”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of the Business - Mining Assets”</i> .
<b>“OBOs”</b>	has the meaning ascribed thereto in <i>“General Proxy Information”</i> .
<b>“Order”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Risk Factors - Federal Court Case”</i> .
<b>“Person”</b>	includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal, personal representative, estate, group, body corporate, corporation, company, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status.
<b>“Plan Holder”</b>	has the meaning ascribed thereto in <i>“Certain Canadian Federal Income Tax Considerations - Eligibility for Investment”</i> .
<b>“Private Placement”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Prior Sales”</i> .
<b>“Proportionate Allocation”</b>	has the meaning ascribed thereto in <i>“Certain Canadian Federal Income Tax Considerations”</i> .
<b>“Proposed Amendments”</b>	has the meaning ascribed thereto in <i>“Certain Canadian Federal Income Tax Considerations - Exchange of Matica Shares for New Matica Shares and Reorganization Shares”</i> .
<b>“Proposed LISL Acquisition”</b>	means the proposed acquisition of all of the issued and outstanding shares of LISL by Spinco3 pursuant to the LISL Agreement subject to completion of the Arrangement and the execution of the LISL Agreement.
<b>“Proposed THCO Investment”</b>	means the proposed acquisition of the issued and outstanding shares of THCO by Spinco2 pursuant to the THCO Agreement subject to completion of the Arrangement and the execution of the THCO Agreement.
<b>“Record Date”</b>	means January 15, 2015.
<b>“Redemption Amount”</b>	has the meaning ascribed thereto in <i>“Information Concerning Matica - Description of Share Capital”</i> .
<b>“Registered Matica Shareholder”</b>	means a registered holder of Matica Shares.
<b>“Registered Plans”</b>	has the meaning ascribed thereto in <i>“Certain Canadian Federal Income Tax Considerations - Eligibility for Investment”</i> .
<b>“Regulation S”</b>	means Regulation S adopted by the SEC under the U.S. Securities Act.
<b>“Regulations”</b>	has the meaning ascribed thereto in <i>“Certain Canadian Federal Income Tax Considerations”</i> .
<b>“Reorganization Shares”</b>	means, collectively, the Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares.

<b>“Resident Dissenter”</b>	has the meaning ascribed thereto in “ <i>Certain Canadian Federal Income Tax Considerations - Dissenting Resident Holders</i> ”.
<b>“Resident Holder”</b>	has the meaning ascribed thereto in “ <i>Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada</i> ”.
<b>“RRIF”</b>	has the meaning ascribed thereto in “ <i>Certain Canadian Federal Income Tax Considerations - Eligibility for Investment</i> ”.
<b>“RRSP”</b>	has the meaning ascribed thereto in “ <i>Certain Canadian Federal Income Tax Considerations - Eligibility for Investment</i> ”.
<b>“SEC”</b>	means the United States Securities and Exchange Commission.
<b>“Section 3(a)(10) Exemption”</b>	means the exemption from the registration requirements of the U.S. Securities Act provided under Section 3(a)(10) thereof.
<b>“Securities Act”</b>	means the <i>Securities Act</i> (British Columbia) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time.
<b>“Securities Authority”</b>	means the British Columbia Securities Commission and any other applicable securities commission or securities regulatory authority of a province or territory of Canada.
<b>“Securities Laws”</b>	means the securities legislation of each province and territory of Canada, the policies and instruments of the Securities Authority, the policies and regulations of any stock exchange on which the applicable Party’s securities are listed and posted for trading, the <i>U.S. Securities Act</i> and the <i>U.S. Exchange Act</i> , the “blue sky” or securities laws of the states of the United States, and all other applicable state, federal and provincial securities Laws, rules, rulings, orders, instruments, regulations and published policies thereunder, as now in effect and as they may be promulgated or amended from time to time.
<b>“SEDAR”</b>	means the System for Electronic Disclosure Analysis and Retrieval.
<b>“Share Distribution Record Date”</b>	means the close of business on January 15, 2015.
<b>“Spinco Commitments”</b>	means, collectively, the Spinco1 Commitment, Spinco2 Commitment, Spinco3 Commitment and Spinco4 Commitment.
<b>“Spinco Reorganization Ratios”</b>	means, collectively, the Spinco1 Reorganization Ratio, the Spinco2 Reorganization Ratio, the Spinco3 Reorganization Ratio and the Spinco4 Reorganization Ratio.
<b>“Spinco Shares”</b>	means, collectively, the Spinco1 Shares, the Spinco2 Shares, Spinco3 Shares and the Spinco4 Shares.
<b>“Spinco”</b>	means, collectively, Spinco1, Spinco2, Spinco3 and Spinco4.
<b>“Spinco1”</b>	means Ravenline Exploration Ltd.

<b>“Spinco1 Commitment”</b>	means the covenant of Spinco1 to issue Spinco1 Shares to the holders of Matica Share Commitments who exercise their rights there under after the Effective Date, and are entitled pursuant to the corporate reorganization provisions thereof to receive New Matica Shares and Spinco1 Shares upon such exercise.
<b>“Spinco1 Reorganization Ratio”</b>	means the percentage resulting from the division of 22,310,666 being the total number of Spinco1 Shares to be issued, as numerator, by the number of Class 1 Reorganization Shares issued on the Effective Date, as denominator which is equal to 1 Spinco1 Share issued for every 3 Matica shares held.
<b>“Spinco1 Shareholder”</b>	means a holder of Spinco1 Shares.
<b>“Spinco1 Shares”</b>	means the common shares without par value in the authorized share structure of Spinco1, as constituted on the date of the Arrangement Agreement.
<b>“Spinco2”</b>	means 1022607 B.C. Ltd.
<b>“Spinco2 Commitment”</b>	means the covenant of Spinco2 to issue Spinco2 Shares to the holders of Matica Share Commitments who exercise their rights there under after the Effective Date, and are entitled pursuant to the corporate reorganization provisions thereof to receive New Matica Shares and Spinco2 Shares upon such exercise.
<b>“Spinco2 Reorganization Ratio”</b>	means the percentage resulting from the division of 4,462,133, being the total number of Spinco2 Shares to be issued, as numerator, by the number of Class 2 Reorganization Shares issued on the Effective Date, as denominator which is equal to 1 Spinco2 Share for every 15 Matica Shares held.
<b>“Spinco2 Shareholder”</b>	means a holder of Spinco2 Shares.
<b>“Spinco2 Shares”</b>	means the common shares without par value in the authorized share structure of Spinco2, as constituted on the date of the Arrangement Agreement.
<b>“Spinco3”</b>	means 1022608 B.C. Ltd.
<b>“Spinco3 Commitment”</b>	means the covenant of Spinco3 to issue Spinco3 Shares to the holders of Matica Share Commitments who exercise their rights there under after the Effective Date, and are entitled pursuant to the corporate reorganization provisions thereof to receive New Matica Shares and Spinco3 Shares upon such exercise.
<b>“Spinco3 Reorganization Ratio”</b>	means the percentage resulting from the division of 892,426, being the total number of Spinco3 Shares to be issued, as numerator, by the number of Class 3 Reorganization Shares issued on the Effective Date, as denominator which is equal to 1 Spinco3 Share for every 75 Matica Shares held.
<b>“Spinco3 Shareholder”</b>	means a holder of Spinco3 Shares.
<b>“Spinco3 Shares”</b>	means the common shares without par value in the authorized share structure of Spinco3, as constituted on the date of the Arrangement Agreement.
<b>“Spinco4”</b>	means 1024250 B.C. Ltd.

<b>“Spinco4 Commitment”</b>	means the covenant of Spinco4 to issue Spinco4 Shares to the holders of Matica Share Commitments who exercise their rights there under after the Effective Date, and are entitled pursuant to the corporate reorganization provisions thereof to receive New Matica Shares and Spinco4 Shares upon such exercise.
<b>“Spinco4 Reorganization Ratio”</b>	means the percentage resulting from the division of 4,462,133, being the total number of Spinco4 Shares to be issued, as numerator, by the number of Class 4 Reorganization Shares issued on the Effective Date, as denominator which is equal to 1 Spinco4 Share for every 15 Matica Shares held.
<b>“Spinco4 Shareholder”</b>	means a holder of Spinco4 Shares.
<b>“Spinco4 Shares”</b>	means the common shares without par value in the authorized share structure of Spinco4, as constituted on the date of the Arrangement Agreement.
<b>“Stock Option Plan”</b>	means the stock option plan of Matica.
<b>“subsidiary” or “Subsidiary”</b>	has the meaning ascribed thereto in the Business Corporations Act and includes, for greater certainty, an indirect subsidiary, and will apply to a subsidiary of Matica or Spinco1, Spinco2, Spinco3 and Spinco4, as the context requires.
<b>“Tax Act”</b>	means the <i>Income Tax Act</i> (Canada), as amended.
<b>“taxable capital gain”</b>	has the meaning ascribed thereto in “ <i>Certain Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Losses</i> ”.
<b>“TFSA”</b>	has the meaning ascribed thereto in “ <i>Certain Canadian Federal Income Tax Considerations - Eligibility for Investment</i> ”.
<b>“THCD”</b>	means THC Dispensaries Inc.
<b>“THCD Agreement”</b>	means the definitive agreement dated October 9, 2014 between Matica and THCD.
<b>“THCO”</b>	means 2426702 Ontario Inc., a corporation operating as THCO.ca.
<b>“THCO Agreement”</b>	means the acquisition agreement anticipated to be entered into between Spinco2 and THCO in respect of the Proposed THCO Acquisition, subject to completion of the Arrangement.
<b>“THCO LOI”</b>	means letter of intent dated December 17, 2014 entered into by Matica and THCO.
<b>“U.S. Exchange Act”</b>	means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder from time to time.
<b>“U.S. Securities Act”</b>	means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder from time to time.
<b>“VIF”</b>	has the meaning ascribed thereto in “ <i>General Proxy Information</i> ”.

## SUMMARY

This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Circular, including the Appendices which are incorporated into and form part of this Circular. Terms with initial capital letters in this summary are defined in the Glossary of Terms immediately preceding this summary.

### **The Meeting**

The Meeting will be held Suite 1102, 44 Victoria Street, Toronto, Ontario M5C 1H2 at 10:00 a.m. (Toronto Time).

### **Record Date**

Only Matica Shareholders of record as at 4:00 p.m. (Vancouver time) on January 15, 2015 will be entitled to receive notice of and vote at the Meeting, or any adjournment or postponement thereof.

### **Purpose of the Meeting**

At the Meeting, the Matica Shareholders will be asked, to consider and, if thought fit, to pass the Arrangement Resolution approving the Arrangement among Matica and the Spinco's and the Matica Shareholders. The Arrangement will consist of the distribution of Spinco1 Shares, Spinco2 Shares, Spinco3 Shares, and Spinco4 Shares to the Matica Shareholders of record on the Share Distribution Record Date. The full text of the Arrangement Resolution is set out in Schedule "A" to this Circular. In order to implement the Arrangement, the Arrangement Resolution must be passed, with or without variation, by at least two-thirds (2/3) of the eligible votes cast with respect to the Arrangement Resolution by Matica Shareholders present in person or by proxy at the Meeting. See "*The Arrangement — Shareholder Approval*".

**By passing the Arrangement Resolution, the Matica Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause Matica to complete the Arrangement without any requirement to seek or obtain any further approval of the Matica Shareholders.**

### **The Arrangement**

On January 26, 2015, Matica entered into the Arrangement Agreement with its wholly-owned subsidiaries: Spinco1, Spinco2, Spinco3, and Spinco4.

The purpose of the Arrangement is to restructure Matica by creating Spinco1, Spinco2, Spinco3 and Spinco4 as new companies that will each become reporting issuers in the Provinces of British Columbia, Alberta and Ontario upon completion of the Arrangement. Further, the purpose of the Arrangement will allow Matica to divest itself of the Assets, enabling Matica to focus on developing its medical marijuana business. Management believes that by creating these new companies and providing Matica Shareholders of record on the Share Distribution Record Date with an interest in the Spinco's, Matica Shareholder value will be enhanced.

### *Steps of the Arrangement*

By resolution dated January 26, 2015, the Matica Board approved the Arrangement and authorized the making of an application to the Court for the calling of the Meeting. Provided all conditions required to implement the Arrangement are met, including the approval of Matica Shareholders and the Final Order is obtained, the following steps will occur as an arrangement contemplated by section 288 of the Business Corporations Act, sequentially in the following order:

- (a) Matica will alter its share capital by creating an unlimited number of New Matica Shares, Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares and will attach rights and restrictions to the New Matica Shares and the Reorganization Shares.

- (b) Each issued and outstanding Matica Share (other than Matica Shares held by Dissenting Shareholders) will be exchanged for one New Matica Share, one Class 1 Reorganization Share, one Class 2 Reorganization Share, one Class 3 Reorganization Share and one Class 4 Reorganization Share. All Matica Shareholders on the Effective Date will receive one New Matica Share. All Matica Shareholders on the Share Distribution Record Date will receive one Class 1 Reorganization Share, one Class 2 Reorganization Share, one Class 3 Reorganization Share, and one Class 4 Reorganization Share.
- (c) All of the Class 1 Reorganization Shares will be transferred by Matica Shareholders of record on the Share Distribution Record Date to Spinco1 in exchange for Spinco1 Shares in accordance with the Spinco1 Reorganization Ratio, which will be calculated on the basis of 22,310,666 Spinco1 Shares to be issued divided by the number of Class 1 Reorganization Shares issued. Spinco1 will not issue any fractional Spinco1 Shares and any fractional Spinco1 Shares resulting from the exchange will be cancelled.
- (d) All of the Class 2 Reorganization Shares will be transferred by Matica Shareholders of record on the Share Distribution Record Date to Spinco2 in exchange for Spinco2 Shares in accordance with the Spinco2 Reorganization Ratio, which will be calculated on the basis of 4,462,133 Spinco2 Shares to be issued divided by the number of Class 2 Reorganization Shares issued. Spinco2 will not issue any fractional Spinco2 Shares and any fractional Spinco2 Shares resulting from the exchange will be cancelled.
- (e) All of the Class 3 Reorganization Shares will be transferred by Matica Shareholders of record on the Share Distribution Record Date to Spinco3 in exchange for Spinco3 Shares in accordance with the Spinco3 Reorganization Ratio, which will be calculated on the basis of 892,426 Spinco3 Shares to be issued divided by the number of Class 3 Reorganization Shares issued. Spinco3 will not issue any fractional Spinco3 Shares and any fractional Spinco3 Shares resulting from the exchange will be cancelled.
- (f) All of the Class 4 Reorganization Shares will be transferred by Matica Shareholders of record on the Share Distribution Record Date to Spinco4 in exchange for Spinco4 Shares in accordance with the Spinco4 Reorganization Ratio, which will be calculated on the basis of 4,462,133 Spinco4 Shares to be issued divided by the number of Class 4 Reorganization Shares issued. Spinco4 will not issue any fractional Spinco4 Shares and any fractional Spinco4 Shares resulting from the exchange will be cancelled.
- (g) Matica will redeem all of the Class 1 Reorganization Shares from Spinco1 and will satisfy the redemption amount of such shares by the transfer to Spinco1 of the Mining Assets and \$20,000 in working capital.
- (h) Matica will redeem all of the Class 2 Reorganization Shares from Spinco2 and will satisfy the redemption amount of such shares by the transfer to Spinco2 of the THCO LOI and \$20,000 in working capital.
- (i) Matica will redeem all of the Class 3 Reorganization Shares from Spinco3 and will satisfy the redemption amount of such shares by the transfer to Spinco3 of the LISL LOI and \$20,000 in working capital.
- (j) Matica will redeem all of the Class 4 Reorganization Shares from Spinco4 and will satisfy the redemption amount of such shares by the transfer to Spinco4 of the Bellerosa JV Agreement and \$20,000 in working capital.

Each Matica Shareholder of record on the Share Distribution Record Date, other than a Dissenting Shareholder, will, immediately after the Arrangement, hold a pro rata share of the Spinco1 Shares, Spinco2 Shares, Spinco3 Shares, and Spinco4 Shares to be distributed under the Arrangement for each currently held Matica Share. The Spinco



Shares will be identical in every material respect to the New Matica Shares. See “*The Arrangement – Details of the Arrangement*”.

A copy of the Plan of Arrangement is attached as Schedule “B” and forms an integral part of this Circular. Matica Shareholders are encouraged to read the Plan of Arrangement.

### **Information Concerning Matica and the Spinco's after the Arrangement**

Following completion of the Arrangement, Matica will continue to carry on its primary business activities. Each Matica Shareholder of record on the Effective Date will continue to be a shareholder of Matica and each Matica Shareholder of record on the Share Distribution Record Date will receive its pro rata share of the Spinco Shares to be distributed to such Matica Shareholders under the Arrangement. See “*Information Concerning Matica*” for a summary description of Matica assuming completion of the Arrangement, including selected *pro-forma* unaudited financial information for Matica.

Following completion of the Arrangement, Spinco1, Spinco2, Spinco3, and Spinco4 will be reporting in the provinces of British Columbia, Alberta, and Quebec and the shareholders of Spinco1, Spinco2, Spinco3, and Spinco4 will be the holders of Matica Shares of record on the Share Distribution Record Date.

Spinco1 will have all of Matica's interest in the Mining Assets. See “*Information Concerning Spinco1*” for a description of the Mining Assets as well as the corporate structure and business, including selected *pro-forma* unaudited financial information, of Spinco1 assuming completion of the Arrangement.

Spinco2 will have all of Matica's interest in the THCO LOI. See “*Information Concerning Spinco2*” for a description of the THCO LOI as well as the corporate structure and business, including selected *pro-forma* unaudited financial information, of Spinco2 assuming completion of the Arrangement.

Spinco3 will have all of Matica's interest in the LISL LOI. See “*Information Concerning Spinco3*” for a description of the LISL LOI as well as the corporate structure and business, including selected *pro-forma* unaudited financial information, of Spinco3 assuming completion of the Arrangement.

Spinco4 will have all of Matica's interest in the Bellerosa JV Agreement. See “*Information Concerning Spinco4*” for a description of the Bellerosa JV Agreement as well as the corporate structure and business, including selected *pro-forma* unaudited financial information, of Spinco4 assuming completion of the Arrangement.

### **Effect of the Arrangement on Matica Share Commitments**

As of the Effective Date, the Matica Share Commitments will be exercisable, in accordance with Arrangement Agreement and the corporate reorganization provisions of such securities, into New Matica Shares and Spinco Shares on the basis that the holder will receive, upon exercise, in lieu of the number of Matica Shares the holder would have been entitled to receive, a number of New Matica Shares that equals the number of Matica Shares and Spinco Shares that the holder would have been entitled to receive if the holder had been a registered holder of Matica Shares on the Effective Date and the Share Distribution Record Date.

The Spinco's have agreed, pursuant to the Spinco Commitments, to issue the Spinco Shares upon exercise of the Matica Share Commitments and Matica is obligated, as the agent of the Spinco's, to collect and pay to the Spinco's a portion of the proceeds received for each Matica Commitment so exercised, with the balance of the exercise price to be retained by Matica.

Any entitlement to a fraction of a Spinco1 Share, Spinco2 Share, Spinco3 Share and Spinco4 Share resulting from the exercise of Matica Share Commitments will be cancelled without compensation.

### **Recommendation and Approval of the Matica Board**

**The directors of Matica have concluded that the terms of the Arrangement are fair and reasonable to, and in the best interests of, Matica and the Matica Shareholders. The Matica Board has therefore approved the Arrangement and authorized the submission of the Arrangement to the Matica Shareholders and the Court for approval. The Matica Board recommends that Matica Shareholders vote FOR the approval of the Arrangement. See “*The Arrangement – Recommendation of Directors*”.**

The Matica Board believes that the Arrangement offers a number of benefits to Matica Shareholders, including the following:

- Matica, and each of the Spincos will serve different markets and are subject to different competitive forces and will require diverse short-term and long-term strategies. The separation into five independent companies, each with its own board of directors, will provide management of each company with a sharper business focus. This will permit the companies to pursue independent business strategies best suited to their business plans, and allow them to pursue opportunities in their respective markets.
- By vesting its interests in the Assets into four subsidiary companies which will become separate reporting entities, Matica will be better able to pursue different specific operating strategies directly on its own, and indirectly through its holdings in the former subsidiaries without being subject to the financial constraints of competing interests.
- After the separation, each company will also have the flexibility to implement its own unique growth strategies, allowing the organizations to refine and refocus their business mix.
- Additionally, because the resulting businesses will be focused on their own separate industries, they will be more readily understood by public investors, allowing the companies to be in a better position to raise capital and align management and employee incentives with the interests of shareholders.

### **Reasons for the Recommendation of the Arrangement**

The decision to proceed with the Arrangement was based on, among other things, the following primary determinations:

- Matica was incorporated on November 13, 2007, and for approximately seven years it was a company focused on the exploration of resource properties. On September 29, 2014, Matica Shareholders approved the change of the primary focus of Matica’s business from resource exploration to the medical marijuana industry. The principal focus of Matica following the completion of the change of business transaction has been to enter the medical marijuana industry. When presented with the opportunity to divest its mining and other non-core assets in order to refocus its business operations from a resource issuer to a medical marijuana issuer management of Matica determined that it would be in the best interests of Matica to proceed with the Arrangement. The transfer of the respective Assets to the Spincos will facilitate separate corporate development strategies for Matica moving forward and at the same time enable Matica’s shareholders to retain their interest in the Assets moving forward.
- Following the Arrangement, management of Matica will consist of a strong executive team with significant experience, knowledge and connections in the investment industry, and management of the Spincos will be free to focus on developing their respective Assets.
- The distribution of Spinco1 Shares, Spinco2 Shares, Spinco3 Shares, and Spinco4 Shares to the Matica Shareholders pursuant to the Arrangement will give the Matica Shareholders of record on the Share Distribution Record Date a direct interest in four new companies that will focus on and pursue the development of the Assets.

- As a separate company focusing on the medical marijuana industry, Matica will have direct access to broader public and private capital markets and will be able to issue debt and equity to fund its projects and to finance the acquisition and development of any new assets Matica may acquire on a priority basis.
- As separate companies, the Spincos will have direct access to public and private capital markets and will be able to issue debt and equity to fund improvements and development of their respective Assets and to finance the acquisition and development of any assets they may acquire on a priority basis.
- As separate companies, the Spincos will be able to establish equity-based compensation programs to enable them to better attract, motivate and retain directors, officers and key employees, thereby better aligning management and employee incentives with the interests of shareholders.

See “*Cautionary Note Regarding Forward-Looking Statements and Risks*” and “*The Arrangement – Reasons for the Arrangement*”.

### **Conduct of Meeting and Shareholder Approval**

The Interim Order provides that in order for the Arrangement to proceed, the Arrangement Resolution must be passed, with or without variation, by at least two-thirds (2/3) of the eligible votes cast with respect to the Arrangement Resolution by Matica Shareholders present in person or by proxy at the Meeting. See “*The Arrangement – Shareholder Approval*”.

### **Court Approval**

The Arrangement requires Court approval under the Business Corporations Act. In addition to this approval, the Court will be asked for a declaration following a Court hearing that the Arrangement is fair to the Matica Shareholders. Before mailing this Circular, Matica obtained the Interim Order providing for the calling and holding of the Meeting, the Dissent Rights and certain other procedural matters. If the Arrangement Resolution is passed at the Meeting as provided for in the Interim Order, Matica intends to make an application to the Court for the Final Order at 9:45 a.m. (Vancouver time), or as soon thereafter as counsel may be heard, on March 12, 2015 at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, or at any other date and time as the Court may direct. The Final Order is required for the Arrangement to become effective. In deciding whether to grant the Final Order, the Court will consider, among other things, the fairness of the Arrangement to Matica Shareholders. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, and subject to compliance with such terms and conditions, if any, as the Court sees fit.

Any Matica Shareholder who wishes to appear or be represented and to present evidence or arguments at that hearing must file and serve a response to petition no later than 4:00 p.m. (Vancouver time) on March 10, 2015 along with any other documents required, all as set out in the Interim Order and Notice of Hearing of Petition for Final Order, the texts of which are set out in Schedule “C” and Schedule “D” to this Circular, and satisfy any other requirements of the Court. Such Persons should consult with their legal advisors with respect to the legal rights available to them in relation to the Arrangement and as to the necessary requirements to assert any such rights. See “*The Arrangement - Court Approval of the Arrangement*”.

### **Dissent Rights**

The Plan of Arrangement provides that Dissenting Shares held by Registered Matica Shareholders who validly exercise Dissent Rights and who are ultimately entitled to be paid the fair value, in cash, for those Dissenting Shares will be deemed to be transferred to Matica as of the Effective Time, in consideration for the payment by Matica of the fair value thereof, in cash. Matica Shareholders who wish to dissent should take note that strict compliance with the dissent procedures is required.

Any Dissenting Shareholder who ultimately is not entitled to be paid the fair value, in cash, of his, her or its Matica Shares will be deemed to have participated in the Arrangement on the same basis as non-Dissenting Shareholders, and each Matica Share held by such Dissenting Shareholder will be deemed to be transferred to Matica in exchange

for the New Matica Shares and the Spinco Shares. In no case, however, will Matica, the Spinco or any other Person be required to recognize such Dissenting Shareholder as a holder of Matica Shares after the Effective Time, and the name of such Dissenting Shareholder will be deleted from the registers of holders of Matica Shares at the Effective Time. See “*Dissent Rights*”.

### **Certain Canadian Income Tax Matters**

The following summary is qualified in its entirety by the more detailed discussion, assumptions, qualifications, and restrictions under the heading “*Certain Canadian Federal Income Tax Considerations*”. All Matica Shareholders should consult their own tax advisers.

The following is a brief, general summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to Matica Shareholders who, for the purposes of the Tax Act and at all relevant times, are resident in Canada, and who: (a) are not exempt from Canadian federal income tax; (b) hold their Matica Shares as capital property; (c) are not affiliated with Matica or the Spinco; (d) deal at arm’s length with Matica and the Spinco; and (e) immediately after the completion of the Arrangement will not, either alone or together with persons with whom they do not deal at arm’s length, and persons with whom they do not deal at arm’s length will not control the Spinco or beneficially own shares of the Spinco which have a fair market value in excess of 50% of the fair market value of all of the outstanding shares of the Spinco, as applicable. It is not intended to be, and it should not be construed to be, advice to any particular person. Matica Shareholders should consult with their own tax advisors with respect to their particular circumstances.

Generally, as a result of the Arrangement a holder of Matica Shares, will not realize a capital gain or a capital loss:

- (a) as a result of the exchange of Matica Shares for New Matica Shares and Reorganization Shares;
- (b) on the transfer of Class 1 Reorganization Shares to Spinco1 in exchange for Spinco1 Shares, unless a Matica Shareholder chooses to recognize a capital gain or loss in the Matica Shareholder’s income tax return for the taxation year in which the Arrangement is implemented;
- (c) on the transfer of Class 2 Reorganization Shares to Spinco2 in exchange for Spinco2 Shares, unless a Matica Shareholder chooses to recognize a capital gain or loss in the Matica Shareholder’s income tax return for the taxation year in which the Arrangement is implemented;
- (d) on the transfer of Class 3 Reorganization Shares to Spinco3 in exchange for Spinco3 Shares, unless a Matica Shareholder chooses to recognize a capital gain or loss in the Matica Shareholder’s income tax return for the taxation year in which the Arrangement is implemented; and
- (e) on the transfer of Class 4 Reorganization Shares to Spinco4 in exchange for Spinco4 Shares, unless a Matica Shareholder chooses to recognize a capital gain or loss in the Matica Shareholder’s income tax return for the taxation year in which the Arrangement is implemented.

A Matica Shareholder’s adjusted cost base of its Matica Shares must be allocated between the New Matica Shares and the Spinco Shares. The allocation must be made on the basis of their relative fair market values.

### **Selected Unaudited *Pro-Forma* Financial Information for Matica**

The following selected unaudited *pro-forma* financial information for Matica is based on the assumptions described in the notes to Matica’s unaudited *pro-forma* balance sheet as at September 30, 2014, attached to this Circular as Schedule “F”. The *pro-forma* balance sheet has been prepared based on the assumption that, among other things, the Arrangement occurred on September 30, 2014.

	<b>Pro-forma as at September 30, 2014 on completion of the Arrangement (unaudited)</b>
Current Assets	\$1,064,114
Deposit	\$115,612
Intangible Assets	\$130,000
<b>Total assets</b>	<b>\$1,309,726</b>
Liabilities	\$299,972
Shareholder's Equity	\$973,886
<b>Total liabilities and shareholders' equity</b>	<b>\$1,309,726</b>

### **Selected Unaudited Pro-Forma Financial Information for Spinco1**

In connection with the Arrangement, Matica will transfer its interest in the Mining Assets to Spinco1.

The following selected unaudited *pro-forma* financial information for Spinco1 is based on the assumptions described in the notes to the Spinco1 unaudited pro-forma balance sheet as at September 30, 2014, attached to this Circular as Schedule "F". The *pro-forma* balance sheet has been prepared based on the assumption that, among other things, the Arrangement occurred on September 30, 2014.

	<b>As of September 30, 2014 (unaudited)</b>	<b>Pro-forma as at September 30, 2014 on completion of the Arrangement (unaudited)</b>
Cash	\$Nil	\$20,000
Mining Assets <sup>(1)</sup>	\$Nil	\$570,910
<b>Total Assets</b>	<b>\$Nil</b>	<b>\$590,910</b>

Note:

(1) Fair market value cannot reasonably be determined as no value has been assigned to the Assets by Matica.

### **Selected Unaudited Pro-Forma Financial Information for Spinco2**

In connection with the Arrangement, Matica will transfer its interest in the THCO LOI to Spinco2.

The following selected unaudited *pro-forma* financial information for Spinco2 is based on the assumptions described in the notes to the Spinco2 unaudited pro-forma balance sheet as at September 30, 2014, attached to this Circular as Schedule "F". The *pro-forma* balance sheet has been prepared based on the assumption that, among other things, the Arrangement occurred on September 30, 2014.

	<b>As of September 30, 2014 (unaudited)</b>	<b>Pro-forma as at September 30, 2014 on completion of the Arrangement (unaudited)</b>
Cash	\$Nil	\$20,000
THCO LOI <sup>(1)</sup>	\$Nil	\$Nil
<b>Total Assets</b>	<b>\$Nil</b>	<b>\$20,000</b>

Note:

(1) Fair market value cannot reasonably be determined as no value has been assigned to the Assets by Matica.

### **Selected Unaudited Pro-Forma Financial Information for Spinco3**

In connection with the Arrangement, Matica will transfer its interest in the LISL LOI to Spinco3.

The following selected unaudited *pro-forma* financial information for Spinco3 is based on the assumptions described in the notes to the Spinco1 unaudited pro-forma balance sheet as at September 30, 2014, attached to this Circular as Schedule “F”. The *pro-forma* balance sheet has been prepared based on the assumption that, among other things, the Arrangement occurred on September 30, 2014.

	As of September 30, 2014 (unaudited)	Pro-forma as at September 30, 2014 on completion of the Arrangement (unaudited)
Cash	\$Nil	\$20,000
LISL LOI <sup>(1)</sup>	\$Nil	\$Nil
<b>Total Assets</b>	<b>\$Nil</b>	<b>\$20,000</b>

Note:

(1) Fair market value cannot reasonably be determined as no value has been assigned to the Assets by Matica.

### **Selected Unaudited Pro-Forma Financial Information for Spinco4**

In connection with the Arrangement, Matica will transfer its interest in the Bellerosa JV Agreement to Spinco4.

The following selected unaudited *pro-forma* financial information for Spinco4 is based on the assumptions described in the notes to the Spinco1 unaudited pro-forma balance sheet as at September 30, 2014, attached to this Circular as Schedule “F”. The *pro-forma* balance sheet has been prepared based on the assumption that, among other things, the Arrangement occurred on September 30, 2014.

	As of September 30, 2014 (unaudited)	Pro-forma as at September 30, 2014 on completion of the Arrangement (unaudited)
Cash	\$Nil	\$20,000
Bellerosa JV Agreement <sup>(1)</sup>	\$Nil	\$458,000
<b>Total Assets</b>	<b>\$Nil</b>	<b>\$478,000</b>

Note:

(1) Fair market value cannot reasonably be determined as no value has been assigned to the Assets by Matica.

### **Canadian Stock Exchange**

The Matica Shares are currently listed on the CSE under the symbol “MMJ”. As of January 26, 2015, the price of the Matica Shares was \$0.09.

### **Investment Considerations**

Investments in development stage companies such as Matica and the Spinco3 are highly speculative and subject to numerous and substantial risks which should be considered in relation to the Arrangement. There is no assurance that a public market will continue in the New Market Shares or that there will be a public market for any of the Spinco Shares after the Effective Date. See “*Information Concerning Matica - Risk Factors*”; “*Information Concerning Spinco1 - Risk Factors*”; “*Information Concerning Spinco2 - Risk Factors*”; “*Information Concerning Spinco3 - Risk Factors*”; and “*Information Concerning Spinco4 - Risk Factors*” in this Circular.

### **Risk Factors**

In considering whether to vote for the approval of the Arrangement, Matica Shareholders should be aware that there are various risks, including those described in the sections entitled “*Information Concerning Matica - Risk Factors*”; “*Information Concerning Spinco1 - Risk Factors*”; “*Information Concerning Spinco 2 - Risk Factors*”; “*Information Concerning Spinco3 - Risk Factors*”; and “*Information Concerning Spinco4 - Risk Factors*” in this Circular. Matica Shareholders should carefully consider these risk factors, together with other information included in this Circular, before deciding whether to approve the Arrangement.

## GENERAL PROXY INFORMATION

### Appointment and Revocation of Proxy

The persons named in the Proxy are directors and/or officers of Matica. A Registered Matica Shareholder who wishes to appoint some other person to serve as their representative at the Meeting may do so by striking out the printed names and inserting the desired person's name in the blank space provided.

The completed Proxy should be delivered to Matica's transfer agent, Capital Transfer Agency Inc., 121 Richmond Street, West, Suite 401, Toronto, Ontario M5H 2K1, by 10:00 a.m. (Toronto time) on March 6, 2015, or at least 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the Meeting.

A proxy given pursuant to this solicitation may be revoked by:

- (a) signing a proxy with a later date and delivering it at the time and place noted above;
- (b) signing and dating a written notice of revocation and delivering it to the registered office of Matica, or by transmitting a revocation by telephonic or electronic means, to the registered office of Matica, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or delivering a written notice of revocation and delivering it to the Chairman of the Meeting on the day of the meeting or adjournment of it; or
- (c) attending the applicable meeting or any adjournment of the applicable meeting and registering with the scrutineer as a shareholder present in person.

### Provisions Relating to Voting of Proxies

The Matica Shares represented by the Proxy in the enclosed form will be voted or withheld from voting by the designated holder in accordance with the direction of the Registered Matica Shareholder appointing him. If there is no direction by the Registered Matica Shareholder, those Matica Shares will be voted for all proposals set out in the Proxy. The proxy gives the person named in it the discretion to vote as such person sees fit on any amendments or variations to matters identified in the Notice of Meeting, or any other matters which may properly come before the Meeting. At the time of printing this Circular, the management of Matica knows of no other matters which may come before the Meeting other than those referred to in the Notice of Meeting.

### Advice to Beneficial Holders of Matica Shares

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Matica Shares in their own name. Matica Shareholders who hold their Matica Shares, through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Matica Shares in their own name (referred to herein as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders who appear on the records maintained by Matica's registrar and transfer agent as registered holders of Matica Shares will be recognized and acted upon at the Meetings. If Matica Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then those Matica Shares will, in all likelihood, not be registered in the shareholder's name. Such Matica Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Matica Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted or withheld at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their common shares are voted at the Meeting. The form of instrument of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the instrument of proxy provided directly to Registered Matica Shareholders. However, its purpose is limited to instructing the Registered Matica Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”) in Canada. Broadridge typically prepares a machine-readable voting instruction form (“**VIF**”), mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the VIFs to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge VIF cannot use that form to vote common shares directly at the Meetings. The VIFs must be returned to Broadridge (or instructions respecting the voting of Matica Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Matica Shares voted. If you have any questions respecting the voting of common shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

The Notice of Meeting, Circular, proxy and VIF, as applicable, are being provided to both Registered Matica Shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories - those who object to their identity being known to the issuers of securities which they own (“**OBOs**”) and those who do not object to their identity being made known to the issuers of the securities which they own (“**NOBOs**”). Subject to the provisions of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators (“**NI 54-101**”), issuers may request and obtain a list of their NOBOs from intermediaries directly or via their transfer agent and may obtain and use the NOBO list for the distribution of proxy-related materials directly (not via Broadridge) to such NOBOs. If you are a Beneficial Shareholder and Matica or its agent has sent these materials directly to you, your name, address and information about your holdings of common shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the common shares on your behalf.

Pursuant to the provisions of NI 54-101, Matica is providing the Notice of Meeting, Circular and proxy or VIF, as applicable, to both Registered Matica Shareholders and NOBOs. By choosing to send these materials to NOBOs directly, Matica (and not the intermediary holding common shares on the NOBOs behalf) has assumed responsibility for (i) delivering these materials to the NOBOs, and (ii) executing the proper voting instructions. Please return your voting instructions as specified in the VIF. As a result, if you are a non-registered owner of Matica Shares, you can expect to receive a scannable VIF from Capital Transfer. Please complete and return the VIF to Capital Transfer in the envelope provided or by facsimile. In addition, telephone voting and internet voting instructions can be found on the VIF. Capital Transfer will tabulate the results of the VIFs received from Matica’s NOBOs and will provide appropriate instructions at the Meeting with respect to the Matica Shares represented by the VIFs they receive.

OBOs can expect to be contacted by Broadridge or their brokers or their broker’s agents as set out above. Matica does not intend to pay for intermediaries to deliver the Notice of Meeting, Circular and VIF to OBOs and accordingly, if the OBO’s intermediary does not assume the costs of delivery of those documents in the event that the OBO wishes to receive them, the OBO may not receive the documentation.

All references to Matica Shareholders in this Circular and the accompanying Proxy and Notice of Meeting are to Registered Matica Shareholder as set forth on the list of Registered Matica Shareholder as maintained by the registrar and transfer agent of Matica, Capital Transfer, unless specifically stated otherwise.

#### **NOTICE-AND-ACCESS**

Matica is utilizing the notice-and-access mechanism (the “**Notice-and-Access Provisions**”) that came into effect on February 11, 2013 under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 – *Continuous Disclosure Obligations*, for distribution of Meeting materials to registered and beneficial Shareholders.



### **Website Where Meeting Materials are Posted**

The Notice-and-Access Provisions are a new set of rules that allows reporting issuers to post electronic versions of proxy-related materials (such as proxy circulars and annual financial statements) on-line, via the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) and one other website, rather than mailing paper copies of such materials to Shareholders. Electronic copies of the Circular may be found on Matica’s SEDAR profile at [www.sedar.com](http://www.sedar.com) and also on Matica’s website at [www.maticaenterprises.com](http://www.maticaenterprises.com) under the “Investors” heading. Matica will not use procedures known as “stratification” in relation to the use of Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of the Circular to some Shareholders with this notice package. In relation to the Meeting, all Shareholders will receive the required documentation under the Notice-and-Access Provisions, which will not include a paper copy of the Circular.

### **Obtaining Paper Copies of Materials**

Matica anticipates that using notice-and-access for delivery to all Shareholders will directly benefit Matica through a substantial reduction in both postage and material costs, and also promote environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials. Shareholders with questions about notice-and-access can call the Corporation’s transfer agent Capital Transfer toll-free at 1.800.631.0940. Shareholders may also obtain paper copies of the Circular free of charge by contacting Capital Transfer at the same toll-free number or upon request to Matica’s Corporate Secretary.

A request for paper copies which are required in advance of the Meeting should be sent so that they are received by Matica or Capital Transfer, as applicable, by February 23, 2015 in order to allow sufficient time for Shareholders to receive the paper copies and to return their proxies or voting instruction forms to intermediaries not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournments or postponements thereof (the “**Proxy Deadline**”).

### **INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No director or executive officer of Matica, or any person who has held such a position since the beginning of the last completed financial year—end of Matica, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting, other than as may be otherwise set out herein.

### **Directors of Matica**

The directors of Matica (other than directors who are also executive officers) hold, in the aggregate, 250,000 Matica Shares representing approximately 0.37% of the Matica Shares outstanding as of the date of this Circular and 300,000 Matica Options representing a total of 7.32% of the Matica Options outstanding as of the date of this Circular. All of the Matica Shares held by Matica’s directors will be treated in the same fashion under the Arrangement as Matica Shares and held by every other Matica Shareholder.

### **Executive Officers of Matica**

The executive officers of Matica hold, in the aggregate, 3,845,715 Matica Shares representing 5.75% of the Matica Shares outstanding as of the date of this Circular and 1,100,000 Matica Options representing 26.83% of the Matica Options outstanding as of the date of this Circular. All of the Matica Share held by the executive officers of Matica will be treated in the same fashion under or in connection with the Arrangement as Matica Shares held by every other Matica Shareholder.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed herein, no informed person of Matica or any associate or affiliate of an informed person, has any material interest, direct or indirect, in any transaction since the commencement of Matica’s most

recently completed financial year or in any proposed transaction which has materially affected or would materially affect Matica or any of its subsidiaries.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

Matica's authorized share structure consists of an unlimited number of common shares without par value. As at the date of this Circular, there are 66,931,999 Matica Shares outstanding. Each Matica Share carries the right to one vote.

Matica Shareholders registered as at January 15, 2015, are entitled to attend and vote at the Meeting. Matica Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote, deliver their Proxies at the place and within the time set forth in the notes to the Proxy.

To the knowledge of the directors and executive officers of Matica, as of the date of this Circular, no person owns, directly or indirectly, or exercises control or direction over, 10% or more of the issued and outstanding Matica Shares.

## **THE ARRANGEMENT**

At the Meeting, Matica Shareholders will be asked to consider and, if thought advisable, to pass, with or without amendment, the Arrangement Resolution to approve the Arrangement under the Business Corporations Act pursuant to the terms of the Interim Order, the Arrangement Agreement and the Plan of Arrangement. The Arrangement, Arrangement Agreement and the Plan of Arrangement are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the Plan of Arrangement which is attached as Schedule "B" to this Circular and the Arrangement Agreement, copy of which has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

In order to implement the Arrangement, the Arrangement Resolution must be approved by not less than two-thirds of the votes cast by the Matica Shareholders present in person or by proxy at the Meeting. See "*The Arrangement – Regulatory Law Matters and Securities Law Matters – Canadian Securities Law Matters*". Each Matica Share will entitle the holder thereof to one vote on the Arrangement Resolution.

A copy of the Arrangement Resolution is set out in Schedule "A" to this Circular.

Unless otherwise directed, it is management's intention to vote FOR the Arrangement Resolution. If you do not specify how you want your Matica Shares voted, or if both choices are specified, the persons named as proxyholders will cast the votes represented by your proxy at the Meeting FOR the Arrangement Resolution.

If the Arrangement Resolution is approved at the Meeting, the Final Order approving the Arrangement is issued by the Court and the applicable conditions to the completion of the Arrangement are satisfied or waived, the Arrangement will take effect at the Effective Time (which will be at 12:01 a.m. (Vancouver time) or such other time as the Parties agree in writing) on the Effective Date (which is expected to be on or about March, 2015).

### **Purpose of the Arrangement**

The purpose of the Arrangement is to restructure Matica and in this regard Matica has incorporated each of the Spinco's as a new company which will become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario upon completion of the Arrangement.

Following the Arrangement, Matica will continue to carry on its primary business activities. Each Matica Shareholder will, immediately after the Effective Date, hold one New Matica Share for each Matica Share held as of the Effective Date, which will be materially identical to the present Matica Shares, and each Matica Shareholder will receive approximately 0.333 Spinco1 Share, 0.066 Spinco2 Share, 0.013 Spinco3 Share and 0.066 Spinco4 Share for each Matica Share held as of the Share Distribution Record Date, which will each be materially identical to the present Matica Share.

### **Proposed Timetable for Arrangement**

The anticipated timetable for the completion of the Arrangement and the key dates proposed are as follows:

Record Date: January 15, 2015

Share Distribution Record Date: January 15, 2015

Annual and Special Meeting: March 10, 2015

Final Court Approval: On or after March 12, 2015

Effective Date: To be determined

Mailing of Certificates for Spinco Shares: Approximately 5 to 10 Business Days after the Effective Date

Notice of the Effective Date will be given to the Matica Shareholders through one or more press releases. The boards of directors of Matica and the Spinco's, respectively, will determine the Effective Date depending upon satisfaction that all of the conditions to the completion of the Arrangement.

### **Principal Steps of the Arrangement**

The following description of the Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached as Schedule "B" to this Circular.

Pursuant to the Arrangement Agreement, Matica has agreed to transfer to each of the Spinco's \$20,000 of its working capital for an aggregate total of \$80,000 in working capital transferred. This transfer will be effected pursuant to the Arrangement. Under the Arrangement, the existing Matica Shareholders will receive one New Matica Share and, for every existing Matica Share held on the Share Distribution Record Date, one-third of a Spinco1 Share, one-fifteenth of a Spinco2 Share, one-seventy fifth of a Spinco3 Share and one-fifteenth of a Spinco4 Share determined in accordance with the Spinco Reorganization Ratios, as applicable.

By resolution dated January 26, 2015, the Matica Board approved the Arrangement and authorized the making of an application to the Court for the calling of the Meeting. Provided all conditions to implement the Arrangement are satisfied, the appropriate votes of Matica Shareholders authorizing the implementation of the Arrangement are obtained and the Final Court Order is obtained, the following steps will occur as an arrangement pursuant to Section 288 of the BCA, one immediately after the other:

- (a) Matica will alter its share capital by creating an unlimited number of New Matica Shares, Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares and will attach rights and restrictions to the New Matica Shares and the Reorganization Shares.
- (b) Each Matica Share held by a Dissenting Shareholder in respect of which the Matica Shareholder has validly exercised his, her or its Dissent Rights in strict compliance with the Dissent Procedures will be transferred to Matica, free and clear of any liens, charges and encumbrances, and each Dissenting Shareholder will have the right to be paid the fair value in cash of his, her or its Dissenting Shares in accordance with the Plan of Arrangement.
- (c) Each issued and outstanding Matica Share (other than Matica Shares held by Dissenting Shareholders) will be exchanged for one New Matica Share, one Class 1 Reorganization Share, one Class 2 Reorganization Share, one Class 3 Reorganization Share and one Class 4 Reorganization Share. All Matica Shareholders on the Effective Date will receive one New Matica Share. All Matica Shareholders on the Share Distribution Record Date will receive one Class 1

Reorganization Share, one Class 2 Reorganization Share, one Class 3 Reorganization Share, and one Class 4 Reorganization Share.

- (d) All of the Class 1 Reorganization Shares will be transferred by Matica Shareholders of record on the Share Distribution Record Date to Spinco1 in exchange for Spinco1 Shares in accordance with the Spinco1 Reorganization Ratio, which will be calculated on the basis of 22,310,666 Spinco1 Shares to be issued divided by the number of Class 1 Reorganization Shares issued. Spinco1 will not issue any fractional Spinco1 Shares and any fractional Spinco1 Shares resulting from the exchange will be cancelled.
- (e) All of the Class 2 Reorganization Shares will be transferred by Matica Shareholders of record on the Share Distribution Record Date to Spinco2 in exchange for Spinco2 Shares in accordance with the Spinco2 Reorganization Ratio, which will be calculated on the basis of 4,462,133 Spinco2 Shares to be issued divided by the number of Class 2 Reorganization Shares issued. Spinco2 will not issue any fractional Spinco2 Shares and any fractional Spinco2 Shares resulting from the exchange will be cancelled.
- (f) All of the Class 3 Reorganization Shares will be transferred by Matica Shareholders of record on the Share Distribution Record Date to Spinco3 in exchange for Spinco3 Shares in accordance with the Spinco3 Reorganization Ratio, which will be calculated on the basis of 892,426 Spinco3 Shares to be issued divided by the number of Class 3 Reorganization Shares issued. Spinco3 will not issue any fractional Spinco3 Shares and any fractional Spinco3 Shares resulting from the exchange will be cancelled.
- (g) All of the Class 4 Reorganization Shares will be transferred by Matica Shareholders of record on the Share Distribution Record Date to Spinco4 in exchange for Spinco4 Shares in accordance with the Spinco4 Reorganization Ratio, which will be calculated on the basis of 4,462,133 Spinco4 Shares to be issued divided by the number of Class 4 Reorganization Shares issued. Spinco4 will not issue any fractional Spinco4 Shares and any fractional Spinco4 Shares resulting from the exchange will be cancelled.
- (h) Matica will redeem all of the Class 1 Reorganization Shares from Spinco1 and will satisfy the redemption amount of such shares by the transfer to Spinco1 of the Mining Assets and \$20,000 in working capital.
- (i) Matica will redeem all of the Class 2 Reorganization Shares from Spinco2 and will satisfy the redemption amount of such shares by the transfer to Spinco2 of THCO LOI and \$20,000 in working capital.
- (j) Matica will redeem all of the Class 3 Reorganization Shares from Spinco3 and will satisfy the redemption amount of such shares by the transfer to Spinco3 of LISL LOI and \$20,000 in working capital.
- (k) Matica will redeem all of the Class 4 Reorganization Shares from Spinco4 and will satisfy the redemption amount of such shares by the transfer to Spinco4 of the Bellerosa JV Agreement and \$20,000 in working capital.

As a result of the foregoing, on the Effective Date five companies will exist - Matica, Spinco1, Spinco2, Spinco3 and Spinco4.

Matica will retain its existing assets (other than working capital transferred to the Spincos) and the Spincos will each hold \$20,000 in cash and Matica Shareholders (other than Dissenting Shareholders) of record on the Effective Date will own New Matica Shares and Matica Shareholders of record on the Share Distribution Record Date will own Spinco Shares.

The transactions comprising the Arrangement will occur on a tax-deferred basis for Matica Shareholders who are residents of Canada. A Matica Shareholder may however choose to recognize a gain that otherwise would be income tax-deferred. See “*Canadian Federal Income Tax Considerations*”.

Assuming the Matica Shareholders and the Court approve the Arrangement, the Matica Board will still have discretion as to whether to complete the Arrangement. At the present time, the Matica Board intends to complete the Arrangement. See “*The Arrangement - Amendment and Termination of the Arrangement Agreement*”.

### **Reasons for the Arrangement**

The Matica Board has determined that Matica should concentrate its efforts on its primary business activities. To this end, the Matica Board approved a reorganization of Matica pursuant to the Arrangement as described in this Circular.

The Matica Board is of the view that the Arrangement will benefit Matica and the Matica Shareholders. This conclusion is based on the following primary determinations:

- Matica was incorporated on November 13, 2007, and for approximately seven years it was a company focused on the exploration of resource properties. On September 29, 2014, Matica Shareholders approved the change of the primary focus of Matica’s business from resource exploration to the medical marijuana industry. The principal focus of Matica following the completion of the change of business transaction has been to enter the medical marijuana industry. When presented with the opportunity to divest its mining and other non-core assets in order to refocus its business operations from a resource issuer to a medical marijuana issuer management of Matica determined that it would be in the best interests of Matica to proceed with the Arrangement. The transfer of the respective Assets to the Spincos will facilitate separate corporate development strategies for Matica moving forward and at the same time enable Matica’s shareholders to retain their interest in the Assets moving forward;
- Following the Arrangement, management of Matica will consist of a strong executive team with significant experience, knowledge and connections in the investment industry, and management of the Spincos will be free to focus on developing their respective Assets;
- The distribution of the Spinco Shares to the Matica Shareholders pursuant to the Arrangement will give the Matica Shareholders a direct interest in four new companies that will focus on and pursue the development of the Assets;
- As a separate company focusing on the medical marijuana industry, Matica will have direct access to broader public and private capital markets and will be able to issue debt and equity to fund its projects and to finance the acquisition and development of any new assets Matica may acquire on a priority basis;
- As separate companies, the Spincos will have direct access to public and private capital markets and will be able to issue debt and equity to fund improvements and development of their respective Assets and to finance the acquisition and development of any assets they may acquire on a priority basis; and
- As separate companies, the Spincos will be able to establish equity-based compensation programs to enable them to better attract, motivate and retain directors, officers and key employees, thereby better aligning management and employee incentives with the interests of shareholders.

### **Recommendation of Directors**

**The Matica Board approved the Arrangement and authorized the submission of the Arrangement to the Matica Shareholders and the Court for approval. The Matica Board has concluded that the Arrangement is in the best interests of Matica and the Matica Shareholders, and recommends that the Matica Shareholders vote FOR the Arrangement Resolution at the Meeting. In reaching this conclusion, the Matica Board**

**considered the benefits to Matica and the Matica Shareholders, as well as the financial position, opportunities and the outlook for the future potential and operating performance of Matica and the Spinco's.**

### **Fairness of the Arrangement**

The Arrangement was determined to be fair to the Matica Shareholders by the Matica Board based upon the following factors, among others:

- The Arrangement will benefit Matica Shareholders generally through providing them with potential ownership positions in:
  - Spinco1, a new company that will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, which will have \$20,000 in cash and the Mining Assets.
  - Spinco2, a new company that will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, which will have \$20,000 in cash and the THCO LOI. It is currently anticipated that, subject to completion of the Arrangement and the execution of the THCO Agreement, Spinco2 will pursue the Proposed THCO Investment, however there is no assurance that the THCO Agreement will be entered into and that the Proposed THCO Investment will be completed as contemplated or at all; and
  - Spinco3, a new company that will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, which will have \$20,000 in cash and the LISL LOI. It is currently anticipated that, subject to completion of the Arrangement and the execution of the LISL Agreement, Spinco3 will pursue the Proposed LISL Acquisition, however there is no assurance that the LISL Agreement will be entered into and that the Proposed LISL Acquisition will be completed as contemplated or at all; and
  - Spinco4, a new company that will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, which will have \$20,000 in cash and the Bellerosa JV Agreement. It is currently anticipated that, subject to completion of the Arrangement, Spinco 4 will work with Bellerosa as a partner in a joint venture pursuant to the Bellerosa JV Agreement; and
  - a continuing interest in Matica, which is retaining ownership of its current assets and remaining working capital.
- The Arrangement Resolution must be approved by no less than two-thirds of the votes cast by Matica Shareholders present in person or represented by proxy at the Meeting. The Arrangement must also be sanctioned by the Court, which will consider, among other things, the fairness of the Arrangement to Matica Shareholders.
- Registered Matica Shareholders who oppose the Arrangement may, on strict compliance with certain conditions, exercise their Dissent Rights and receive the fair value of the Dissenting Shares in accordance with the Arrangement.
- Each Matica Shareholder on the Effective Date will participate in the Arrangement on a pro-rata basis and, upon completion of the Arrangement, will continue to hold substantially the same pro-rata interest that such Matica Shareholder held in Matica prior to completion of the Arrangement. Each Matica Shareholder on the Share Distribution Record Date will participate in the Arrangement on a pro-rata basis and, upon completion of the Arrangement, will continue to hold substantially the same pro-rata interest that such Matica Shareholder held in the Assets prior to completion of the Arrangement through its holdings of Spinco Shares.

In view of the wide variety of factors and information considered in connection with its evaluation of the Arrangement, the Matica Board did not find it practicable to, and therefore did not, quantify or otherwise attempt to

assign any relative weight to each specific factor or item of information considered in reaching its conclusions and recommendations. In addition, individual members of the Matica Board may have given different weights to different factors or items of information.

### **Completion of the Arrangement**

The Arrangement will become effective at the Effective Time on the Effective Date. The Effective Date is expected to be on or about March, 2015. However, it is possible that completion may be delayed beyond this date if the conditions to completion of the Arrangement cannot be met on a timely basis in accordance with the terms of the Arrangement Agreement.

### **Conditions to the Arrangement Becoming Effective**

Pursuant to the Arrangement Agreement, the respective obligations of Matica and the Spincos to complete the Arrangement and to file a certified copy of the Final Order and such other documentation required by the Registrar in order for the Arrangement to be implemented are also subject to the satisfaction of the following conditions, among other things:

- (a) The Arrangement must receive the approval of the Shareholders, as described under “*The Arrangement - Shareholder Approval of Arrangement*”.
- (b) The Arrangement must be approved by the Court, as described under “*The Arrangement - Court Approval of Arrangement*”.
- (c) No action has been instituted and continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of or relating to the Arrangement, and no cease trading or similar order with respect to any securities of Matica or the Spincos have been issued and remains outstanding.
- (d) Matica and the Spincos have received all necessary orders and rulings from various securities commissions and regulatory authorities in the relevant provinces of Canada, where required;
- (e) The New Matica Shares are listed for trading on the CSE.
- (f) All other consents, waivers, orders and approvals, including regulatory approvals and orders necessary for the completion of the Arrangement, have been obtained or received.
- (g) None of the consents, waivers, orders or approvals contemplated herein will contain conditions or require undertakings considered unsatisfactory or unacceptable by Matica.
- (h) The Arrangement Agreement has not been terminated as provided for therein. Management of Matica believes that all consents, orders, regulations, approvals or assurances required for the completion of the Arrangement will be obtained prior to the Effective Date in the ordinary course and upon application therefor.

Upon fulfillment of the foregoing conditions, the Matica Board intends to take such steps and make such filings as may be necessary for the Arrangement to be implemented. The Effective Date will be the date set out in such filings.

The obligations of each of Matica and the Spincos to complete the transactions contemplated by the Arrangement Agreement are further subject to the condition, which may be waived by any other party without prejudice to its right to rely on any other condition in its favour, that each and every one of the covenants of the other parties thereto to be performed on or before the Effective Date pursuant to the terms of the Arrangement Agreement will have been duly performed and that, except as affected by the transactions contemplated by the Arrangement Agreement, the representations and warranties of such other parties thereto will be true and correct in all material respects as at such Effective Date, with the same effect as if such representations and warranties had been made at and as of such time,

and each such party will have received a certificate, dated the Effective Date, of a senior officer of each of the other parties confirming the same.

### **Amendment and Termination of the Arrangement Agreement**

The Arrangement Agreement provides that it may be amended in a manner not materially prejudicial to the Matica Shareholders by written agreement of Matica and the Spincos before or after the Meeting, but prior to the Effective Date, without further notice to the Matica Shareholders. The Arrangement Agreement may, at any time before or after the holding of the Meeting but no later than the Effective Date, be terminated by the Matica Board without further notice to, or action on the part of, Matica Shareholders. Without limiting the generality of the foregoing, the Matica Board may terminate the Arrangement Agreement:

- (a) If immediately prior to the Effective Date, Dissenting Shareholders holding 10% or more of the outstanding Matica Shares have not abandoned the right of dissent provided for in the Plan of Arrangement.
- (b) If prior to the Effective Date there is any material change in the business, operations, property, assets, liabilities or condition, financial or otherwise, of Matica or the Spincos, or any change in general economic conditions, interest rates or any outbreak or material escalation in, or the cessation of, hostilities or any other calamity or crisis, or there should develop, occur or come into effect any occurrence which has a material effect on the financial markets of Canada and the Matica Board determines in its sole judgment that it would be inadvisable in such circumstances for Matica to proceed with the Arrangement.

### **Shareholder Approval**

#### *Matica Shareholder Approval*

In order for the Arrangement to become effective, the Arrangement Resolution must be passed, with or without variation, by a special resolution of at least two-thirds of the eligible votes cast in respect of the Arrangement Resolution by Matica Shareholders present in person or by proxy at the Meeting.

#### *Shareholder Approval for the Spincos*

Matica, as the sole shareholder of each of the Spincos, has approved the Arrangement by consent resolution.

### **Court Approval of the Arrangement**

The Arrangement as structured is subject to the approval of the Court. Prior to the mailing of this Circular, Matica obtained the Interim Order authorizing the calling and holding of the Meeting and providing for certain other procedural matters. A copy of the Interim Order is attached as Schedule "C" to this Circular. The Notice of Hearing of Petition for the Final Order is attached as Schedule "D" to this Circular.

Assuming the Arrangement Resolution is approved by the Matica Shareholders at the Meeting, the hearing for the Final Order is scheduled to take place at 9:45 a.m. (Vancouver time) on or after March 12, 2015 at the Courthouse located at 800 Smithe Street, Vancouver, British Columbia or at such other date and time as the Court may direct. At this hearing, any security holder, director, auditor or other interested party of Matica who wishes to participate or to be represented or present evidence or argument may do so, subject to filing an appearance and satisfying certain other requirements.

The Court has broad discretion under the Business Corporations Act when making orders in respect of arrangements and the Court may approve the Arrangement as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks appropriate. The Court, in hearing the application for the Final Order, will consider, among other things, the fairness of the terms and conditions of the Arrangement to the Matica Shareholders.



## **Stock Exchange Listing**

The Matica Shares are currently listed on the CSE under the symbol “MMJ”.

## **Failure to Complete the Arrangement**

In the event the Arrangement Resolution is not passed by the Matica Shareholders, the Court does not approve the Arrangement or the Arrangement does not proceed for some other reason, the Mining Assets, the THCO LOI, the LISL LOI and the Bellerosa JV Agreement will remain with Matica and Matica will carry on business as it is currently carried on. In such event the Spincos will likely remain dormant companies.

## **Share Certificates**

After the Share Distribution Record Date, the share certificates representing, on their face, Matica Shares will be deemed to represent only New Matica Shares with no right to receive the Spinco Shares. Before the Share Distribution Record Date, the share certificates representing, on their face, Matica Shares, will be deemed under the Plan of Arrangement to represent New Matica Shares and an entitlement to receive the Spinco Shares in accordance with the terms of the Arrangement. As soon as practicable after the Effective Date, share certificates representing the appropriate number of Spinco1 Shares, Spinco2 Shares, Spinco3 Shares, and Spinco4 Shares will be sent to all Matica Shareholders of record on the Share Distribution Record Date.

No new share certificates will be issued for the New Matica Shares created under the Arrangement and therefore holders of Matica Shares must retain their certificates as evidence of their ownership of New Matica Shares. Certificates representing, on their face, Matica Shares will constitute good delivery in connection with the sale of New Matica Shares completed through the facilities of the CSE after the Effective Date.

## **Effect of Arrangement on Outstanding Matica Share Commitments**

After the Effective Date, all Matica Share Commitments will be exercisable for Matica Shares and Spinco Shares in accordance with the corporate reorganization and adjustment provisions of such commitments, whereby the exercise of a Matica Share Commitment will result in the holder of the Matica Share Commitment receiving one Matica Share and one Spinco1 Share, one Spinco2 Share, one Spinco3 Share and one Spinco4 Share. Pursuant to the Spinco Commitments, each of the Spincos will issue the required number of Spinco Shares upon the exercise of Matica Share Commitments as is directed by Matica and Matica will, as agent for the Spincos, collect and pay to each of the Spincos a portion of the proceeds received for each Matica Share Commitment so exercised, with the balance of the exercise price to be retained by Matica, as determined in accordance with the Arrangement Agreement.

## **U.S. Securities Law Matters**

Under existing interpretations of the SEC’s Division of Corporation Finance, the proposed issuances of the New Matica Shares, the Reorganization Shares and the Spinco Shares to the Matica Shareholders are considered to be “offers” or “sales” of securities. Matica and the Spincos therefore seek to rely upon the securities registration exemption set forth in Section 3(a)(10) of the 1933 Act with respect to the various issuances of securities in the Arrangement. The consequences to Matica Shareholders are set out below.

In the event that the Arrangement is completed, the resulting issuance of the New Matica Shares, the Reorganization Shares and the Spinco Shares to Matica Shareholders will not be registered under the 1933 Act or the securities laws of any state of the United States, but will instead be effected in reliance on the registration exemption provided by Section 3(a)(10) of the 1933 Act and exemptions provided under applicable state securities laws.

New Matica Shares, Reorganization Shares and Spinco Shares received by a Matica Shareholder who is an “affiliate” of Matica and the Spincos after the Arrangement will be subject to certain resale restrictions imposed by the 1933 Act. As defined in Rule 144 under the 1933 Act, an “affiliate” of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such

issuer. Typically, persons who are executive officers, directors or shareholders owning 10% or more of an issuer are considered to be its “affiliates.”

With respect to New Matica Shares issued to Matica Shareholders upon completion of the Arrangement, persons who are not affiliates of Matica prior to the Arrangement and who are not affiliates of Matica after the Arrangement may, subject to applicable Canadian requirements, resell such securities without restriction under the 1933 Act. The same is true with respect to the Spinco Shares and persons who are not affiliates of the Spincos, as applicable, after the Arrangement.

Persons who are affiliates of Matica or the Spincos after the Arrangement may not, as to their respective affiliated issuer(s), resell their New Matica Shares and/or Spinco Shares in the United States absence of registration under the 1933 Act, unless, as discussed below, registration is not required pursuant to the exclusion from registration provided by Regulation S under the 1933 Act.

Subject to applicable Canadian requirements and the following described U.S. imposed limitations, all holders of New Matica Shares and Spinco Shares may immediately resell such securities outside the United States without registration under the 1933 Act pursuant to Regulation S thereunder.

Holders of New Matica Shares who are not affiliates of Matica, or who are affiliates of Matica solely by virtue of serving as an officer or director of Matica, may, under the securities laws of the United States, resell their New Matica Shares in an “offshore transaction” within the meaning of Regulation S (which would include a sale through the CSE that is not pre-arranged with a United States buyer) if neither the seller nor any person acting on the seller’s behalf engages in “directed selling efforts” in the United States and, in the case of a person who is an affiliate of Matica solely by virtue of serving as an officer or director, no selling commission, fee or other remuneration is paid in connection with such offer or sale other than a usual and customary broker’s commission. The same is true with respect to Spinco Shares and persons who are affiliates of the Spincos, as applicable, after the Arrangement.

For purposes of Regulation S, an “offshore transaction” is a transaction that meets the following requirements: (i) the offer is not made to a person in the United States; (ii) either (A) at the time the buy order is originated, the buyer is outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer is outside the United States, or (B) the transaction is executed in, on or through the facilities of a designated offshore securities market (which would currently include the CSE) and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States; and (iii) offers and sales are not specifically targeted at identifiable groups of U.S. citizens abroad. However, should the common shares of Matica, of the Spincos, as applicable, not be listed on the CSE, then it would be difficult for U.S. holders to sell such issuer’s respective securities in an “offshore transaction” within the meaning of Regulation S.

For purposes of Regulation S “directed selling efforts” means “any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered” in the resale transaction.

Certain additional Regulation S restrictions are applicable (i) to a holder of Matica’s or any of the Spincos’ securities who will be an affiliate thereof other than by virtue of his or her status as an officer or director, or (ii) if such issuer does not qualify as a “foreign issuer” as defined in Regulation S at the time of sale. Although upon completion of the Arrangement each of Matica and the Spincos will qualify as a “foreign issuer,” and management anticipates that each will remain as such for the foreseeable future, there can be no guarantee that one or both will always remain “foreign issuers” as defined in Regulation S.

The exemption provided by Section 3(a)(10) of the 1933 Act will not be available for the issuance of shares upon exercise of warrants or options issued by either Matica or the Spincos. As a result such warrants and options may not be exercised by or on behalf of a person in the United States, and the shares issuable upon exercise thereof may not be offered or sold in the United States unless an exemption from the registration requirements under the 1933 Act and the securities laws of all applicable states of the United States is available for such exercise and resale. Subject to applicable Canadian requirements, holders of shares issued upon exercise of any such options or warrants may also resell such shares under SEC Regulation S, as discussed above.

The foregoing discussion is only a general overview of certain requirements of United States federal securities laws applicable to the New Matica Shares and the Spinco Shares received upon completion of the Arrangement. Holders of such securities may be subject to additional restrictions, including, but not limited to, restrictions under written contracts, agreements or instruments to which they are parties or are otherwise subject, and restrictions under applicable United States state securities laws. All holders of Matica's and the Spinco's securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.

This solicitation of proxies is not subject to the requirements of Section 14(a) of the United States Securities Exchange Act of 1934. Accordingly, this Circular has been prepared in accordance with the disclosure requirements of Canadian law. Such requirements are different than those of the United States applicable to registration statements under the 1933 Act and proxy statements under the United States Securities Exchange Act of 1934. The financial statements included herein have been prepared in accordance with IFRS, are subject to Canadian auditing and auditor-independence standards, and may not be comparable in all respects to financial statements of United States companies.

The securities to be issued in connection with the Arrangement have not been approved or disapproved by the United States Securities and Exchange Commission or securities regulatory authorities of any state of the United States, nor has the United States Securities and Exchange Commission or securities regulatory authority of any state in the United States passed on the adequacy or accuracy of this circular. Any representation to the contrary is a criminal offence.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following summary describes the principal Canadian federal income tax considerations relating to the Arrangement generally applicable to Shareholders who, for purposes of the ITA and at all relevant times: (a) are not exempt from Canadian federal income tax; (b) hold their Matica Shares as capital property and will hold their New Matica Shares and Spinco Shares as capital property; (c) are not affiliated with Matica or the Spinco's; (d) deal at arm's length with Matica and the Spinco's; and (e) immediately after the completion of the Arrangement will not, either alone or together with persons with whom they do not deal at arm's length, and persons with whom they do not deal at arm's length will not, either control any of the Spinco's, or beneficially own shares of the Spinco's, which have a fair market value in excess of 50% of the fair market value of all the outstanding shares of the Spinco's, as applicable (a "**Holder**").

Matica Shares, New Matica Shares, Reorganization Shares and Spinco Shares will generally be considered to be capital property to a Holder thereof, unless such securities are held in the course of carrying on a business or were acquired in a transaction considered to be an adventure in the nature of trade. Certain Holders who are resident in Canada and who might not otherwise be considered to hold their Matica Shares and Arrangement Shares as capital property may, in certain circumstances, be entitled to make an irrevocable election under subsection 39(4) of the ITA to have such shares, and every other "Canadian security" as defined in the ITA, owned by such Holder in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property. Any person contemplating making a subsection 39(4) election should first consult their tax advisor for advice as the making of such election will affect the income tax treatment of the person's disposition of other Canadian securities.

This summary is not applicable to a Holder: (i) that is a "financial institution" for the purposes of the "mark- to-market property" rules contained in the ITA; (ii) that is a "specified financial institution" as defined in the ITA; (iii) of an interest which is a "tax shelter investment" as defined in the ITA, (iv) who has acquired Matica Shares, or who acquires Arrangement Shares upon the exercise of an employee stock option; or (v) that is a taxpayer whose "functional currency" for the purposes of the ITA is the currency of a country other than Canada.

This summary is based upon the current provisions of the ITA, the regulations thereunder (the "**Regulations**"), and counsel's understanding of the current administrative practices and assessing policies of the Canada Revenue Agency (the "**CRA**"). This summary also takes into account all specific proposals to amend the ITA and Regulations (the "**Proposed Amendments**") announced by the Minister of Finance (Canada) prior to the date hereof, and assumes that all Proposed Amendments will be enacted in their present form. If the Proposed Amendments are not enacted as presently proposed, the tax consequences may not be as described below in all cases. This summary does not take into account or anticipate any other changes in law or administrative or assessing

practice, whether by legislative, governmental, or judicial action or decision, nor does it take into account provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below. An advance income tax ruling will not be sought from the CRA in respect of the Arrangement.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder. This summary is not exhaustive of all Canadian federal income tax considerations. No representation with respect to the Canadian federal income tax consequences to any particular Shareholder is made herein. Accordingly, Shareholders should consult their own tax advisors with respect to their particular circumstances including, where relevant, the application and effect of the income and other taxes of any country, province, territory, state or local tax authority.**

### **Holders Resident in Canada**

This part of the summary applies generally to a Holder who, at all material times, is or is deemed to be resident in Canada for the purposes of the ITA (a “**Resident Holder**”).

#### ***Exchange of Matica Shares for New Matica Shares and Reorganization Shares***

A Resident Holder who exchanges Matica Shares for Reorganization Shares and New Matica Shares under the Arrangement will be deemed to dispose of the Matica Shares for proceeds of disposition equal to the adjusted cost base to the Holder of such Matica Shares and to acquire the Reorganization Shares and New Matica Shares at an aggregate cost equal to such adjusted cost base. Accordingly, no capital gain or loss will be realized by a Resident Holder on such exchange.

The aggregate cost of the Reorganization Shares and the New Matica Shares must be allocated between such shares in proportion to the relative fair market value of such shares immediately after the exchange (the “**Proportionate Allocation**”). Matica advises that the Spinco Shares will have an aggregate fixed redemption value as follows: \$518,571 for Spinco1, \$20,000 for Spinco2, \$20,000 for Spinco3 and \$478,000 for Spinco4 and that it is reasonable to consider that the fair market value of each of Spinco Shares will be equal to the aggregate redemption value of such shares, being as follows: \$518,571 for Spinco1, \$20,000 for Spinco2, \$20,000 for Spinco3 and \$478,000 for Spinco4. The New Matica Shares will have an aggregate fair market value equal to the aggregate fair market value of the Matica Shares immediately before the Arrangement less the aggregate fair market value of the Reorganization Shares. The fair market value of the Reorganization Shares and the New Matica Shares is a question of fact to be determined having regard to all of the relevant circumstances and counsel is not qualified to express, and does not express, any opinion as to value.

#### ***Exchange of Reorganization Shares for Spinco Shares***

Unless a Resident Holder chooses to recognize a capital gain or capital loss on the exchange of its Reorganization Shares for Spinco Shares pursuant to the Arrangement, the Resident Holder will be deemed to dispose of the Reorganization Shares for proceeds of disposition equal to the adjusted cost base of such shares to the Holder immediately before the exchange, and to have acquired the Spinco Shares at an aggregate cost equal to such adjusted cost base. Accordingly, no capital gain or loss will be realized by the Resident Holder on such exchange.

A Resident Holder may choose to recognize a capital gain (or capital loss) on the exchange of Reorganization Shares for Spinco Shares by including all or any portion of the capital gain (or capital loss) otherwise determined in the Holder’s income in the Holder’s return of income for the Holder’s taxation year in which the exchange occurs. Where a Resident Holder chooses to recognize a capital gain (or capital loss) on the exchange, the Holder will realize a capital gain (or capital loss) equal to the amount by which the fair market value of the Spinco Shares received on the exchange exceeds (or is exceeded by) the adjusted cost base to the Holder of the Reorganization Shares so exchanged and the Holder will acquire the Spinco Shares at an aggregate cost equal to the fair market value thereof. See “*Taxation of Capital Gains and Losses*” below for a general description of the treatment of capital gains and losses under the ITA.

### ***Eligibility for Investment***

New Matica Shares and Reorganization Shares will, at the time they are acquired under the Arrangement, be qualified investments under the ITA for a trust governed by a registered retirement savings plan (a “**RRSP**”), registered retirement income fund (a “**RRIF**”), deferred profit sharing plan, registered education savings plan, registered disability savings plan and a tax-free savings account (a “**TFSA**”) (collectively, “**Registered Plans**”).

Spinco Shares will, at the time they are acquired under the Arrangement, be qualified investments under the ITA for Registered Plans, provided that, at that time the Spinco1 Shares, Spinco2 Shares, Spinco3 Shares and Spinco4 Shares are listed on a designated stock exchange (currently including the CSE, Toronto Stock Exchange and Tiers 1 and 2 of the TSX Venture Exchange), or each of Spinco1, Spinco2, Spinco3 and Spinco4 is a “public corporation” as defined for purposes of the ITA. Matica advised that each of Spinco1 and Spinco4 intend to apply to have the Spinco1 Shares and Spinco4 Shares, respectively, listed on a designated stock exchange before the end of its first taxation year and intend to elect in its return of income for its first taxation year, and on or before its filing due date for its first taxation year (the “**Due Date**”), to be deemed to have been a public corporation from the beginning of the year. Provided the Spinco1 Shares and/or Spinco4 Shares are listed on a designated stock exchange in Canada on or before the Due Date and Spinco1 and/or Spinco4 makes this election in its return of income for its first taxation year, Spinco1 and/or Spinco4 will be a public corporation at the time the Spinco1 Shares and/or the Spinco4 Shares are acquired under the Arrangement. Matica advised that neither of Spinco2 nor Spinco3 intend to apply to have its Spinco Shares listed on a designated stock exchange before the end of its first taxation year.

Notwithstanding the foregoing, the holder of a TFSA or an annuitant of a RRSP or RRIF which holds any of the New Matica Shares, Reorganization Shares or Spinco Shares will be subject to a penalty tax under the ITA if such security is a “prohibited investment” under the ITA. In general terms, New Matica Shares, Reorganization Shares or Spinco Shares will be a “prohibited investment” for a particular RRSP, RRIF or TFSA if at any time the holder or annuitant (the “**Plan Holder**”) (i) does not deal at arm’s length with Matica or the Spinco Shares for purposes of the ITA, or (ii) has a “significant interest” in Matica or the Spinco Shares, as that term is defined in the ITA. Generally, a Plan Holder will have a significant interest in a corporation if the Registered Plan, the Plan Holder, and other persons not at arm’s length with the Plan Holder, together, directly or indirectly, own more than 10% of the shares of any class of shares of the corporation. Holders should consult their own tax advisors to ensure that any of the Arrangement Shares would not be a prohibited investment for a trust governed by a TFSA, RRSP, or RRIF in their particular circumstances.

### ***Dissenting Resident Holders***

A Resident Holder who dissents in respect of the Arrangement (a “**Resident Dissenter**”) and who is entitled to receive payment from Matica equal to the fair value of the Resident Dissenter’s Matica Shares will be considered to have disposed of the Matica Shares for proceeds of disposition equal to the amount received by the Resident Dissenter, less the amount of any interest awarded by a court, as the case may be. A Resident Dissenter generally will be deemed to have received a dividend equal to the amount by which such proceeds exceed the paid-up capital of such shares, and such deemed dividend will reduce the proceeds of disposition for purposes of computing a capital gain (or a capital loss) on the disposition of such Matica Shares. The tax treatment accorded to any deemed dividend is discussed below under the heading, “*Holders Resident in Canada —Dividends on New Matica Shares and Spinco Shares*”.

A Resident Dissenter will also realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of such Matica Shares, as reduced by the amount of any deemed dividend as discussed above and net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares immediately before the disposition. The tax treatment of capital gains and capital losses (including the potential reduction of a capital loss due to the receipt of a deemed dividend) is discussed below under the heading, “*Holders Resident in Canada —Taxation of Capital Gains and Capital Losses*”.

Interest awarded by a court to a Resident Dissenter will be included in the Resident Dissenter’s income for a particular taxation year to the extent the amount is received or receivable in that year, depending upon the method regularly followed by the Resident Dissenter in computing income. Where the Resident Dissenter is a corporation, partnership or, subject to certain exceptions, a trust, the Resident Dissenter must include in income for a taxation

year the amount of interest that accrues to it before the end of the taxation year, or becomes receivable or is received before the end of the year (to the extent not included in income for a preceding taxation year). Resident Dissenters who are contemplating exercising their dissent rights should consult their own tax advisors.

### ***Dividends on New Matica Shares and Spinco Shares***

In the case of a Resident Holder who is an individual, dividends received or deemed to be received on New Matica Shares and Spinco Shares will be included in computing the individual's income and will be subject to gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated by Matica or the Spinco's as the case may be, as an "eligible dividend" in accordance with the ITA.

In the case of a Resident Holder that is a corporation, dividends received or deemed to be received on New Matica Shares and Spinco Shares will be included in computing the corporation's income and will generally be deductible in computing its taxable income. A "private corporation" (as defined in the ITA) or any other corporation controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable under Part IV of the ITA to pay a refundable tax of 33⅓% on dividends received or deemed to be received on shares of Matica or the Spinco's to the extent that such dividends are deductible in computing the corporation's taxable income.

### ***Disposition of New Matica Shares and Spinco Shares***

The disposition or deemed disposition of New Matica Shares and Spinco Shares by a Resident Holder will generally result in a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of those shares immediately before the disposition. See "*Holders Resident in Canada—Taxation of Capital Gains and Losses*" below for a general description of the tax treatment of capital gains and losses under the ITA.

### ***Taxation of Capital Gains and Losses***

One-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year will be included in the Holder's income for the year. One-half of any capital loss (an "**allowable capital loss**") realized by the Holder in a year will be required to be deducted against taxable capital gains realized in the year. Any excess of allowable capital losses over taxable capital gains in a taxation year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years, to the extent and in the circumstances specified in the ITA.

The amount of any capital loss arising on the disposition or deemed disposition of a New Matica Share or a Spinco Share by a Resident Holder that is a corporation may be reduced by the amount of certain dividends received or deemed to have been received by it on such shares to the extent and under circumstances prescribed by the ITA. Similar rules may apply where the corporation is a member of a partnership or a beneficiary of a trust that owns such shares, or where a trust or partnership of which the corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such shares.

### ***Alternative Minimum Tax on Individuals***

A capital gain realized, or a dividend received, by a Resident Holder who is an individual (including certain trusts and estates) may give rise to liability for alternative minimum tax under the ITA. Additional Refundable Tax on Canadian-Controlled Private Corporations A Resident Holder that is a "Canadian-controlled private corporation" as defined in the ITA may be required to pay an additional 6⅔% refundable tax on certain investment income, including certain amounts in respect of net taxable capital gains, dividends, deemed dividends and interest.

## **Holders Not Resident in Canada**

The following portion of this summary is applicable to a Holder who: (i) has not been, is not, and will not be resident or deemed to be resident in Canada for purposes of the ITA; and (ii) does not and will not use or hold, and is not and will not be deemed to use or hold, Matica Shares, New Matica Shares or Spinco Shares in connection with carrying on a business in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere. Such Non-Resident Holders should consult their own tax advisors.

### ***Exchange of Matica Shares for New Matica Shares and Reorganization Shares***

The discussion above, applicable to Resident Holders under the headings “*Holders Resident in Canada — Exchange of Matica Shares for New Matica Shares and Reorganization Shares*” and “*Exchange Reorganization Shares for Spinco Shares*” also applies to a Non-Resident Holder. The tax treatment of a capital gain or a capital loss realized by a Non-Resident Holder is described generally below under the heading “*Holders Not Resident in Canada — Taxation of Capital Gains and Losses*”.

### ***Taxation of Capital Gains and Capital Losses***

A Non-Resident Holder will not be subject to tax under the ITA in respect of any capital gain arising on a disposition or deemed disposition of New Matica Shares or Spinco Shares, unless, at the time of disposition, such shares constitute “taxable Canadian property” of the Non-Resident Holder within the meaning of the ITA and the Non-Resident Holder is not entitled to relief under an applicable income tax convention.

Generally, a New Matica Share or a Spinco Share, as the case may be, will not be taxable Canadian property to a Non-Resident Holder at a particular time provided that such share is listed on a designated stock exchange (which currently includes the Toronto Stock Exchange and the TSX Venture Exchange) unless, at any particular time during the 60-month period immediately preceding the disposition (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the capital stock of Matica or the Spinco, as the case may be; and (ii) more than 50% of the fair market value of the particular share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource property” as defined in the ITA, “timber resource property” as defined in the ITA, or options in respect of, or interests in, or for civil law rights in, any such properties (whether or not such property exists). Notwithstanding the foregoing, in certain circumstances set out in the ITA, New Matica Shares or Spinco Shares could be deemed to be taxable Canadian property to the Non-Resident Holder.

Even if a New Matica Share or a Spinco Share is taxable Canadian property to a Non-Resident Holder, any gain realized on a disposition of such share may be exempt from tax under the ITA pursuant to the provisions of an applicable income tax convention between Canada and the country in which such Non-Resident Holder is resident.

In the event a New Matica Share or a Spinco Share is taxable Canadian property to a Non-Resident Holder at the time of disposition and the capital gain realized on the disposition of such share is not exempt from tax under the ITA pursuant to the provisions of an applicable income tax convention then the tax consequences described above under “*Holders Resident in Canada — Disposition of New Matica Shares and Spinco Shares*” and “*Holders Resident in Canada — Taxation of Capital Gains and Capital Losses*” will generally apply. Non-Resident Holders should consult their own tax advisors with respect to the Canadian tax consequences of disposing of such shares.

### ***Dividends on New Matica Shares and Spinco Shares***

Dividends paid or credited or deemed under the ITA to be paid or credited to a Non-Resident Holder on New Matica Shares or Spinco Shares will be subject to Canadian withholding tax at a rate of 25% of the gross amount of the dividend, unless the rate is reduced under the provisions of an applicable income tax convention.

### ***Dissenting Non-resident Holders***

A Non-Resident Holder who dissents in respect of the Arrangement (a “**Non-Resident Dissenter**”) will be entitled to receive a payment from Matica equal the fair value of such Non-Resident Dissenter’s Matica Shares and will be considered to have disposed of such shares for proceeds of disposition equal to the amount received by the Non-Resident Dissenter, less the amount of any interest awarded by a court (if applicable). A Non-Resident Dissenter generally will be deemed to have received a dividend equal to the amount by which such proceeds exceed the paid-up capital of such shares and such deemed dividend will reduce the proceeds of disposition for purposes of computing a capital gain (or a capital loss) on the disposition of such Matica Shares. The deemed dividend will be subject to Canadian withholding tax as described above under “*Holders Not Resident in Canada — Dividends on New Matica Share and Spinco Shares*”.

A Non-Resident Dissenter will also realize a capital gain to the extent that the proceeds of disposition for such shares, as reduced by the amount of any deemed dividend as discussed above, and net of any reasonable costs of disposition, exceed the adjusted cost base of such Matica Shares immediately before the disposition. A Non-Resident Dissenter generally will not be subject to income tax under the ITA in respect of any such capital gain provided such shares do not constitute taxable Canadian property of the Non-Resident Dissenter as described above under “*Holders Not Resident in Canada — Taxation of Capital Gains and Capital Losses*”.

Any interest paid to a Non-Resident Dissenter upon the exercise of dissent rights will not be subject to Canadian withholding tax.

### **No U.S. Legal Opinion or IRS Ruling**

No legal opinion from U.S. legal counsel or ruling from the United States Internal Revenue Service has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Arrangement. Shareholders who are subject to U.S. taxation should consult with their own professional advisers with regard to the Arrangement’s U.S. tax implications.

## **DISSENT RIGHTS**

Matica Shareholders who wish to dissent (a “**Dissenting Shareholder**”) should take note that strict compliance with the dissent procedures set out in the Business Corporations Act, as modified by the Interim Order, the proposed Final Order and the Plan of Arrangement (“**Dissent Procedures**”) is required.

Each Registered Matica Shareholder is entitled to be paid the fair value, in cash, of the holder’s Matica Shares, provided that the holder validly dissents to the Arrangement and the Arrangement becomes effective. Each Non-Registered Holder of Matica Shares who wishes to exercise Dissent Rights must do so through his, her or its intermediary.

The Dissent Rights are those rights pertaining to the right to dissent from the Arrangement Resolution that are contained in Sections 237 to 247 of the Business Corporations Act, as modified by the Interim Order, the proposed Final Order and the Plan of Arrangement. A Matica Shareholder is not entitled to exercise Dissent Rights if the holder votes any Matica Shares in favour of the Arrangement Resolution.

The Plan of Arrangement provides that the Matica Shares (the “**Dissenting Shares**”) of Registered Matica Shareholders who validly exercise Dissent Rights and who are ultimately entitled to be paid the fair value, in cash, for those Dissenting Shares will be deemed to be transferred to Matica as of the Effective Time, in consideration for the payment by Matica of the fair value thereof, in cash.

Any Dissenting Shareholder who ultimately is not entitled to be paid the fair value, in cash, of his, her or its Matica Shares will be deemed to have participated in the Arrangement on the same basis as non-Dissenting Shareholders, and each Matica Share held by such Dissenting Shareholder will be deemed to be transferred to Matica in exchange for the New Matica Shares and the Spinco Shares. In no case, however, will Matica, the Spinco



or any other Person be required to recognize such Persons as holders of Matica Shares after the Effective Time, and the names of such Persons will be deleted from the registers of holders of Matica Shares at the Effective Time.

A brief summary of the Dissent Procedures is set out below.

This summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of the Matica Shares held and is qualified in its entirety by reference to Sections 237 to 247 of the Business Corporations Act, as modified by the Interim Order, the proposed Final Order and the Plan of Arrangement. A copy of the Interim Order is reproduced in Schedule "C" to this Circular. Sections 237 to 247 of the Business Corporations Act are reproduced in Schedule "E" to this Circular. The Dissent Procedures must be strictly adhered to and any failure by a Matica Shareholder to do so may result in the loss of that holder's Dissent Rights. Accordingly, each Matica Shareholder who wishes to exercise Dissent Rights should carefully consider and comply with the Dissent Procedures and consult the holder's legal advisors.

Written notice of dissent from the Arrangement Resolution must be received by Matica not later than 4:00 p.m. (Toronto time) on the Business Day that is two Business Days before the date of the Meeting or any date to which the Meeting may be postponed or adjourned. The notice of dissent should be delivered by registered mail to Matica at the address for notice described below. After the Arrangement Resolution is approved by Matica Shareholders and within one month after Matica notifies the Dissenting Shareholder of Matica's intention to act upon the Arrangement Resolution pursuant to Section 243 of the Business Corporations Act, the Dissenting Shareholder must send to Matica a written notice that the holder requires the purchase of all of the Matica Shares in respect of which the holder has given notice of dissent, together with the share certificate or certificates representing those Matica Shares (including a written statement prepared in accordance with Section 244(2) of the Business Corporations Act, if the dissent is being exercised by the Matica Shareholder on behalf of a beneficial Matica Shareholder). A Dissenting Shareholder who does not strictly comply with the Dissent Procedures or, for any other reason, is not entitled to be paid fair value, in cash, for his, her or its Dissenting Shares will be deemed to have participated in the Arrangement on the same basis as non-dissenting Matica Shareholders.

Any Dissenting Shareholder who has duly complied with Section 244(1) of the Business Corporations Act, or Matica, may apply to the Court, and the Court may determine the fair value of the Dissenting Shares and make consequential orders and give directions as the Court considers appropriate. There is no obligation on Matica to apply to the Court. The Dissenting Shareholder will be entitled to receive the fair value, in cash, of the Dissenting Shares immediately before the passing of the Arrangement Resolution.

All notices of dissent to the Arrangement pursuant to Section 242 of the Business Corporations Act should be sent to:

Matica Enterprises Inc.  
Attention: Boris Ziger, *Chief Executive Officer*  
44 Victoria Street, Suite 1102  
Toronto, Ontario  
M5C 1Y2

## INFORMATION CONCERNING MATICA

Matica's head office is located at Suite 1102 - 44 Victoria Street, Toronto, Ontario, M5C 1Y2 and its registered and records office is located at Suite 2600, Oceanic Plaza, 1066 West Hastings Street, Vancouver, BC, Canada, V6E 3X1. Matica's full corporate name is "Matica Enterprises Inc."

Matica was incorporated under the *Business Corporations Act* (British Columbia) on November 13, 2007 under the name "Cadman Resources Inc." On April 11, 2014 the company changed its name to "Matica Graphite Inc." and further on July 2, 2014 the company changed its name to "Matica Enterprises Inc."

### Description of the Business

Matica began as a resource exploration company focused on the acquisition, exploration and development of mineral properties. However, given the state of the junior mining industry, Matica began reviewing in early 2014 alternative assets and companies involved in sectors unrelated to junior mining. This search led Matica to its decision to diversify into the agriculture, medical marijuana and hemp industries by completing a fundamental change in its business, which was announced by Matica on May 8, 2014, and for which Matica sought and received Matica Shareholder approval at its annual general and special meeting of shareholders held on September 29, 2014.

### *Mining Assets*

#### Maniwaki West Property, Quebec

On July 26, 2013, Matica entered into an option agreement (the "**Maniwaki Option Agreement**") with JP & Associates Inc. ("**JP**") to acquire a 100% interest in a rare earth project located north of Ottawa/Gatineau near the town of Maniwaki in the Province of Quebec (the "**Maniwaki Property**"). The Maniwaki Property is comprised of 24 permits totalling 14.23 km<sup>2</sup>. Pursuant to the Maniwaki Option Agreement, to exercise the option and earn a 100% interest in the Maniwaki Property, Matica was required to issue 2,000,000 Matica Shares (the "**Maniwaki Shares**") upon signing of the option agreement and pay \$10,000 cash. On August 13, 2013, Matica issued the Maniwaki Shares and as of the date of this Circular, has not paid \$10,000 to JP pursuant to the Maniwaki Option Agreement. Upon payment to JP of \$10,000 pursuant to the Maniwaki Option Agreement, Matica will acquire a 100% interest in the Maniwaki Property.

#### Buckingham North and Buckingham properties

On September 20, 2013, Matica entered into an option agreement (the "**Buckingham North Option Agreement**") with JP and Alexander Johnston to acquire a 100% interest in a graphite project located east of Ottawa/Gatineau (the "**Buckingham North Property**"). The Buckingham North Property was comprised of 18 permits totalling 10.89 km<sup>2</sup>. Pursuant to the Buckingham North Option Agreement, to exercise the option and earn a 100% interest in the Buckingham North Property, Matica was required to issue 3,000,000 Matica Shares (the "**Buckingham North Shares**") upon signing of the Buckingham North Option Agreement and pay \$5,000 cash on or before November 15, 2013. Matica issued the Buckingham North Shares on November 5, 2013 and as of the date of this Circular, has not paid \$5,000 to JP and Mr. Johnston pursuant to the Buckingham North Option Agreement. Upon payment of \$5,000 to JP and Mr. Johnston pursuant to the Buckingham North Option Agreement, Matica will acquire a 100% interest in the Buckingham North Property.

On November 12, 2013, Matica entered into an additional option agreement (the "**Additional Buckingham Option Agreement**") to acquire a 100% interest in an additional property adjacent to the Buckingham North Property (the "**Additional Buckingham North Property**"). The Additional Buckingham North Property is comprised of 4 permits totalling 2.4 km<sup>2</sup>. Pursuant to the Additional Buckingham Option Agreement, to exercise the option and earn a 100% interest in the Additional Buckingham North Property, Matica was required to issue 1,000,000 Matica Shares (the "**Additional Buckingham Shares**") upon signing of the option agreement and pay \$5,000 cash on or before December 31, 2013. Matica issued the Additional Buckingham Shares on March 28, 2014 and as of the date of this Circular, has not paid \$5,000 pursuant to the Additional Buckingham Option Agreement. Upon payment of

\$5,000 pursuant to the Additional Buckingham Option Agreement, Matica will acquire a 100% interest in the Additional Buckingham Property.

#### Grumpy Lizard Project

On January 4, 2014, Matica entered into a letter of intent (“**Grumpy Lizard LOI**”) to acquire 100% of a new graphite project (the “**Grumpy Lizard Project**”) in North West Nevada known as the Grumpy Lizard property which is comprised of 56 claims. The Grumpy Lizard LOI expired on April 30, 2014. Matica paid \$5,000 USD in March 2014 related to the Grumpy Lizard LOI.

For the period ending September 30, 2014, Matica re-assessed the project and decided the project was of merit. Matica reversed the acquisition costs written off in June 30, 2014 as impairment expenses and re-recorded \$5,670 as acquisition costs.

On September 16, 2014, Matica signed a property option and royalty agreement (the “**Grumpy Lizard Option Agreement**”) with Gold Exploration Management Services Inc. in respect of Grumpy Lizard Project. Under the terms of the Grumpy Lizard Option Agreement, Matica had an option to acquire a 100% interest in the property by paying \$35,000 and issuing 3.4 million shares which were issued in October 2014 and at such time Matica acquired a 100% interest in the Grumpy Lizard Project. The Grumpy Lizard Project is comprised of 96 claims for a total of 1920 acres.

#### *Medical Marijuana Industry*

On July 15, 2014, Matica entered into a letter of intent with Bellerosa to form a joint venture for the exclusive marketing of the full range of GlobalEx effervescent Chlorine Dioxide tablets for use in the Canadian and US horticultural and agricultural industries.

On August 26, 2014, Matica entered into the Bellerosa JV Agreement pursuant to the letter of intent between Bellerosa and Matica.

On October 9, 2014, Matica signed a definitive agreement (“**THCD Agreement**”) to acquire a 50% interest in THCD. Under the terms of the definitive agreement, Matica has an option to acquire a 50% interest in THCD by financing THCD up to \$325,000 and deliver 1,000,000 Matica Shares to THCD. Matica issued the shares to THCD and paid the \$325,000 on or about November 20, 2014. Upon THCD becoming a licensed producer under the MMPR, Matica will finance THCD a further \$1,175,000 and deliver 4,000,000 Matica Shares to THCD.

On October 15, 2014, Matica moved to an alternative supplier of chlorine dioxide tablets and terminated its association with the GlobalEx brand.

On November 14, 2014, Matica received approval of the CSE to complete a “Fundamental Change” as such term is defined in CSE Policy 8 from junior mining to the medical marijuana industry.

On December 9, 2014, Matica and Bellerosa amended the terms of the Bellerosa JV. Under the terms of the amended Bellerosa JV Agreement Matica has an option to acquire a 60% interest in the Bellerosa JV by issuing 4,000,000 Matica Shares to Bellerosa. On December 15, 2014 Matica issued 4,000,000 Matica Shares valued at \$0.105 per share to Bellerosa pursuant to the Bellerosa JV Agreement and acquired a 60% interest in the Bellerosa JV.

On December 17, 2014, Matica entered into THCO LOI to acquire a 100% interest in THCO. THCO is an end to end solution that facilitates the process and interaction between patients, doctors, suppliers & government agencies for the delivery of medical marijuana. THCO aims to align its goals with Health Canada in order to receive the support of Health Canada in its intended role as a service provider of medical marijuana. THCO wishes to ensure quality through user reviews, responsibility through audit trails and governance through controlling the entire process and to simplify the entire process so that patients are ultimately served with the care and attention they require. THCO intends to wrap a number of systems under a single umbrella which includes a patient management

system, prescription management system, marketplace system, inventory system, customer resolution system and a sophisticated reporting system.

### Industrial Supply Business

On December 23, 2014, Matica entered into a letter of intent with LISL to acquire all of the issued and outstanding shares of LISL. LISL is an industrial supply distributor in Bangladesh specializing in conveying solutions. LISL services companies in the tobacco production, food and agricultural manufacturing, tea drying and packing industries. It is the only supplier in Bangladesh to offer on-site splicing. LISL also offers specialized conveying products that are anti-static, food grade and/or FDA certified.

For a more fulsome description of the business of Matica, please see management's discussion and analysis of its financial position and results of operations for the fiscal year ended December 31, 2013 and for the nine-month period ended September 30, 2014, copies of which have been filed on SEDAR and are available for review at [www.sedar.com](http://www.sedar.com)

### **Business of Matica after the Arrangement**

Upon completion of the Arrangement, it is Matica's intention to focus on its primary business in the medical marijuana industry through its partnership with THCD. THCD is a Nova Scotia company with an on-going application to receive a license pursuant to the MMPR and a state of the art facility in Nova Scotia. Matica intends to partner with THCD with the objective of being a leading participant in the medical marijuana production industry. Matica, upon completion of the transactions contemplated by the THCD Agreement, intends to become a 50% shareholder in one of the few licensed producers of medical marijuana under the new MMPR regime upon THCD receiving its License. There are no assurances that a License will be issued to THCD. THCD intends to focus on producing, selling and shipping dried marijuana, marijuana seeds and organic soils to dispensaries throughout North America and Europe.

THCD has received a "Ready to Build" letter from Health Canada and is currently awaiting the pre-license inspection under the MMPR. Matica expects that THCD will receive the pre-license inspection in early to mid-2015 and it is expected that the License will follow shortly thereafter. THCD is currently waiting for Health Canada to attend its facility and complete a site investigation with respect to the License. THCD has been informed by Health Canada that once a pre-license inspection has been conducted to verify compliance with the requirements under the MMPR and key personnel have received the security clearance required under the MMPR, the License will be issued. Neither the board of directors of THCD nor the management team of THCD are aware of any material outstanding issues in respect of the issuing of the License and expect final approval for the License to be issued in a timely fashion.

### **Selected Consolidated Financial Information**

#### *Annual Information*

The following is a summary of certain selected financial information of Matica for the last three financial years which is qualified by the more detailed information appearing in Matica's financial statements, which are filed on SEDAR and available for review at [www.sedar.com](http://www.sedar.com).

	Year Ended December 31, 2013 (audited)(IFRS) (\$)	Year Ended December 31, 2012 (audited)(IFRS) (\$)	Year Ended December 31, 2011 (audited) (Canadian GAAP) (\$)
<b>Total Revenues</b>	Nil	Nil	Nil
<b>Net Income or (Loss)</b>	(968,615)	(433,465)	(355,237)
<b>Net Income or (Loss) Per Share</b>	(0.04)	(0.04)	(0.03)
<b>Total Assets</b>	226,827	186,993	277,273
<b>Total Current Liabilities</b>	399,923	137,277	31,896
<b>Shareholders' Equity (deficiency)</b>	(208,964)	29,683	245,377
<b>Cash Dividends</b>	Nil	Nil	Nil

### *Quarterly Information*

The following is a summary of certain selected unaudited financial information of Matica for the eight most recently completed quarters which is qualified by the more detailed information appearing in Matica's financial statements, which are filed on SEDAR and available for review at [www.sedar.com](http://www.sedar.com).

Quarter Ended								
	September 30, 2014 (unaudited) (\$)	June 30, 2014 (unaudited) (\$)	March 31, 2014 (unaudited) (\$)	September 30, 2013 (unaudited) (\$)	June 30, 2013 (unaudited) (\$)	March 31, 2013 (unaudited) (\$)	September 30, 2012 (unaudited) (\$)	June 30, 2012 (unaudited) (\$)
<b>Total Revenues</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Net Income or (Loss)</b>	(671,271)	(173,431)	(61,453)	(61,046)	(83,213)	(165,167)	(86,374)	(102,129)
<b>Net Income or (Loss) Per Share</b>	0.03	0.01	0.00	0.00	0.01	0.01	0.01	0.01

### *Dividend Policy*

Matica has paid no dividends since its inception. At the present time, Matica intends to retain any earnings for corporate purposes. The payment of dividends in the future will depend on the earnings and financial condition of Matica and on such other factors as the Matica Board may consider appropriate. However, since Matica is currently in a development stage, it is unlikely that earnings, if any, will be available for the payment of dividends in the foreseeable future.

### **Management's Discussion and Analysis**

Management's discussion and analysis of its financial position and results of operations for the fiscal year ended December 31, 2013 and for the nine months ended September 30, 2014 have been filed on SEDAR and are available for review at [www.sedar.com](http://www.sedar.com).

Management's discussion and analysis should be read in conjunction with Matica's audited financial statements and the notes thereto for the year ended December 31, 2013 and 2012 and Matica's unaudited interim financial statements and the notes thereto for the nine month period ended September 30, 2014. These financial statements have also been filed on SEDAR and are available for review at [www.sedar.com](http://www.sedar.com).

## Description of Share Capital

### *Matica Shares*

As of the date hereof, Matica has 66,931,999 Matica Shares issued and outstanding.

Upon completion of the Arrangement the authorized capital of Matica will consist of an unlimited number of Matica Shares, an unlimited number of New Matica Shares, an unlimited number of Class 1 Reorganization Shares, an unlimited number of Class 2 Reorganization Shares, an unlimited number of Class 3 Reorganization shares and an unlimited number of Class 4 Reorganization Shares.

The New Matica Shares will have priority over the Matica Shares on the liquidation, dissolution or winding up of Matica with respect to the distribution of assets of Matica in an amount equal to the paid-up capital of the New Matica Shares. Otherwise, all Matica Shares and New Matica Shares rank equally as to dividends, voting powers and participation in assets. No such shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provision for redemption, purchase for cancellation, surrender or sinking funds with respect to such shares. Provision as to modifications, amendments or variations of such rights or such provisions are contained in Matica's articles of incorporation and the Business Corporations Act.

The Reorganization Shares will rank in *pari passu* with each other and will rank in priority to the Matica Shares and New Matica Shares, but are non-voting. The Reorganization Shares will not be entitled to dividends and will be redeemable and retractable in an amount equal to the working capital being transferred to the Spincos, as applicable, pursuant to the Arrangement as determined by a senior officer of Matica (the "**Redemption Amount**"). On liquidation, dissolution or winding up, the Reorganization Shares will rank *pari passu* with each other and will rank in priority to the Matica Shares and New Matica Shares with respect to a distribution of assets of Matica in an amount equal to the Redemption Amount.

Pursuant to the Arrangement, one New Matica Share, one Class 1 Reorganization Share, one Class 2 Reorganization Shares, one Class 3 Reorganization Share and one Class 4 Reorganization Shares will be issued for each Matica Share currently held by Matica Shareholders. Immediately upon completion of the Arrangement there will be the same number of New Matica Shares outstanding as the number of Matica Shares that were previously outstanding prior to completion of the Arrangement.

### *Warrants*

As of the date hereof, Matica has 15,604,250 warrants issued and outstanding.

The terms of the warrants outstanding as of the date of this Circular are as follows:

Number of Warrants	Exercise Price	Expiry Date
8,690,000	\$0.07	January 4, 2016
540,000	\$0.11	June 10, 2016
1,426,000	\$0.07	June 10, 2016
4,063,000	\$0.15	May 7, 2016
885,250	\$0.15	May 21, 2016

### **Options to Purchase Shares**

As of the date hereof, Matica has an aggregate of 4,100,000 options to purchase Matica Shares outstanding. A summary of these options issued to past and present executive officers and directors is as follows:

Category of Optionees	Number of Options	Exercise Price	Expiration Date
Past and Present Executive Officers	475,000	\$0.10	March 6, 2018
	525,000	\$0.10	June 17, 2019
	100,000	\$0.10	July 14, 2019
Past and Present Directors <sup>(1)</sup>	125,000	\$0.10	March 6, 2018
	300,000	\$0.10	June 17, 2019

Note:

(1) 500,000 Options held by Mr. Ziger, director and Chief Executive Officer of Matica are counted for under “Past and Present Executive Officers”.

### Prior Sales

On January 14, 2015 Matica issued 400,000 Matica Shares valued at \$0.095 per share as Finders’ Fees for the option agreement with Bellerosa.

On December 15, 2014, Matica issued 4,000,000 Matica Shares valued at \$0.105 per share to Bellerosa pursuant to the Bellerosa JV Agreement to acquire a 60% interest in the Bellerosa JV.

On November 25, 2014 Matica issued 325,000 Matica Shares as Finders’ Fees valued at \$0.135 per share.

On November 21, 2014 Matica completed the second tranche of the Private Placement of 1,642,500 units comprised of one Matica Share and one half of one common share purchase warrant at subscription price of \$0.10 per share for gross proceeds of \$164,250. Each whole warrant is exercisable into one Matica Share at an exercise price of \$0.15 per share for a period of 18 months. Matica incurred a cash commission of \$6,400. All of the consideration from the Private Placement will be used to fund the acquisition by Matica of the THCD Shares and for general working capital purposes.

On November 20, 2014 Matica issued 1,000,000 Matica Shares pursuant to the THCD agreement valued at \$0.135 per share.

On November 14, 2014, Matica cancelled 1,500,000 Matica issued valued at \$0.10 per share to PRC Partners Inc. due to the cancellation of a marketing agreement between Matica and PRC Partners Inc.

On November 7, 2014 Matica completed a non-brokered private placement (the “**Private Placement**”) of 8,080,000 units comprised of one Matica Share and one half of one common share purchase warrant at subscription price of \$0.10 per share for gross proceeds of \$808,000. Each whole warrant is exercisable into one Matica Share at an exercise price of \$0.15 per share for a period of 18 months. Matica incurred a cash commission of \$44,240. All of the consideration from the Private Placement will be used to fund the acquisition by Matica of the THCD Shares and for general working capital purposes.

On October 6, 2014 Matica issued 3,400,000 Matica Shares for the Grumpy Lizard property agreement valued at \$0.085 per share.

On July 14, 2014, Matica issued 1,500,000 shares valued at \$0.10 per share to PRC Partners Inc. as payment towards a marketing agreement between Matica and PRC Partners Inc.

On May 5, 2014, Matica entered into a property option and royalty agreement with Galaxy Graphite Corp. to acquire 22 mineral claims in Buckingham, Quebec for 300,000 Matica Shares.

On March 28, 2014, Matica issued 1,000,000 Matica Shares for the Buckingham North property agreement valued at \$0.03 per share.

In December 2014, 1,447,933 outstanding share purchase warrants expired unexercised.

In February and March 2014, 148,000 outstanding share purchase warrants expired unexercised.

From October 1, 2014 to the date of this Circular, 550,000 options were exercised at a price of \$0.10 per Matica Share and 100,000 options at an exercise price of \$0.10 were cancelled.

From October 1, 2014 to the date of this Circular, 955,715 warrants were exercised at \$0.07 and 731,666 warrants were exercised at a price of \$0.09 per Matica Share.

### Stock Exchange Price

Matica Shares are listed and posted for trading on the CSE under the symbol “MMJ”. Matica Shares previously traded on the CSE under the symbol “GRF”. The following table set forth, for the periods indicated, the high and low trading price and the aggregate trading volume of Matica Shares on the CSE for the following periods:

Month	High	Low	Total Volume
January 1 - 26, 2015	\$0.14	\$0.08	5,528,362
December 2014	\$0.12	\$0.08	6,590,421
November 2014 <sup>(1)</sup>	\$0.18	\$0.10	9,978,056
October 2014 <sup>(1)</sup>	Nil	Nil	Nil
September 2014 <sup>(1)</sup>	Nil	Nil	Nil
August 2014	\$0.15	\$0.08	6,297,598
July 2014	\$0.17	\$0.06	14,168,406
April - June 2014	\$0.12	\$0.03	21,254,456
January - March 2014	\$0.06	\$0.02	6,976,500
October - December 2013	\$0.06	\$0.02	1,699,000
July - September 2013	\$0.06	\$0.04	112,000
April - June 2013	\$0.06	\$0.03	374,000
January - March 2013	\$0.06	\$0.04	57,000
October - December 2012	\$0.06	\$0.03	1,109,000

Note:

- (1) Trading in Matica Shares was halted from August 25, 2014 to November 14, 2014 for review by the CSE of the disclosure related to the Fundamental Change.

As of January 26, 2015, the closing price of Matica Shares on the CSE was \$0.09.

On July 17, 2014, Matica began to trade on the Frankfurt Stock Exchange under the ticker symbol 39N (WKN A117H7). The international security identification number (ISIN) for Matica is CA5768081096.



## **Principal Shareholders of Matica**

To the knowledge of the directors and executive officers of Matica, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Matica Shares carrying more than 10% of the voting rights attached to all outstanding Matica Shares.

## **Directors and Officers**

The current directors and officers of Matica will continue to be the directors and officers of Matica after completion of the Arrangement.

### *Named Executive Officers*

Matica has two Named Executive Officers (“**NEOs**”) being, Boris Ziger, Chief Executive Officer (“**CEO**”), and Richard Tong, the Chief Financial Officer (“**CFO**”) of Matica.

### *Compensation Discussion and Analysis*

The Matica Board’s compensation program is designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance and contribution to increasing shareholder value. The Matica Board recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive’s level of responsibility. In general, a NEO’s compensation is comprised of contractor payments and stock option grants.

The objectives and reasons for this system of compensation are generally to allow Matica to remain competitive compared to its peers in attracting and retaining experienced personnel. All salaries and/or consulting fees are to be set on a basis of a review and comparison of compensation paid to executives at similar companies.

### *Share-Based and Option-Based Awards*

Matica does not grant share-based awards. The Matica Board is responsible for granting options to the NEOs. Stock option grants are designed to reward the NEOs for success on a similar basis as the shareholders of Matica, but these rewards are highly dependent upon the volatile stock market, much of which is beyond the control of the NEOs. When new options are granted, the Board takes into account the previous grants of options, the number of stock options currently held, position, overall individual performance, anticipated contribution to Matica’s future success and the individual’s ability to influence corporate and business performance. The purpose of granting such stock options is to assist Matica in compensating, attracting, retaining and motivating the officers, directors and employees of Matica and to closely align the personal interest of such persons to the interest of the shareholders.

The exercise price of the stock options granted is generally determined by the market price at the time of grant, less any allowable discount.

### *Compensation Governance*

The compensation of Matica’s directors and executive officers is set by the independent directors of the board after taking into account both the compensation paid to executives at similar sized companies and the contribution of each director and/or executive officer to the successful operation of Matica.

### *Summary Compensation Table*

Set out below is a summary of compensation paid or accrued during Matica’s three most recently completed financial years for which financial statements are available to Matica’s NEOs.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Boris Ziger <i>Chief Executive Officer</i>	2013	96,000	N/A	10,249	Nil	Nil	Nil	Nil	121,025
	2012	24,000	N/A	N/A	Nil	Nil	Nil	Nil	
	2011	N/A	N/A	N/A	Nil	Nil	Nil	Nil	
Richard Tong <i>Chief Financial Officer</i>	2013	35,000	N/A	11,387	Nil	Nil	Nil	Nil	46,387
	2012	N/A	N/A	N/A	Nil	Nil	Nil	Nil	
	2011	N/A	N/A	N/A	Nil	Nil	Nil	Nil	

Note:

- (1) The fair value of option-based awards is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of Matica's common shares and expected life of the options.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Risk-free interest rate:	1.43%	N/A	2.68%
Expected dividend yield:	Nil	N/A	Nil
Expected volatility:	116%	N/A	125%
Expected life of option:	5 years	N/A	5 years

Matica has chosen the Black-Scholes methodology to calculate the grant date fair value of option-based awards as it is the methodology used in Matica's financial statements.

## Narrative Discussion

There are currently no employment contracts in place for the Named Executive Officers.

### *Incentive Plan Awards*

### Outstanding Share-Based Awards and Option-Based Awards

Matica does not have any share-based awards held by a NEO. The following table sets forth the outstanding option-based awards held by the NEOs of Matica at the end of the most recently completed financial year:

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$) <sup>(1)</sup>	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>
Boris Ziger <i>Chief Executive Officer</i>	225,000	\$0.10	March 6, 2018	N/A
	275,000	\$0.10	June 17, 2019	
Richard Tong <i>Chief Financial Officer</i>	250,000	\$0.10	March 6, 2018	N/A
	250,000	\$0.10	June 17, 2019	
	100,000	\$0.10	July 14, 2019	

Note:

- (1) "In-the-Money Options" means the excess of the market value of Matica's shares on December 31, 2013 over the exercise price of the options. The market price for Matica's common shares on December 31, 2013 was \$0.06.

### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed financial year by each NEO:

<b>Name</b>	<b>Option-based awards – Value vested during the year (\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year (\$)</b>
Boris Ziger <i>Chief Executive Officer</i>	2,904	Nil
Richard Tong <i>Chief Financial Officer</i>	3,226	Nil

### *Pension Benefits*

Matica does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

### *Termination and Change of Control Benefits*

At the end of the most recently completed financial year, Matica had no compensatory plan, contract or arrangement where a NEO was entitled to receive more than \$100,000 from Matica (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or other termination of the NEO's employment with Matica, a change of control of Matica or its subsidiaries, or a change in responsibilities of the NEO following a change in control.

### *Director Compensation*

Other than compensation paid to the NEOs, and except as noted below, no compensation was paid to directors in their capacity as directors of Matica or its subsidiaries, in their capacity as members of a committee of the Board or of a committee of the board of directors of its subsidiaries, or as consultants or experts, during Matica's most recently completed financial year. Monty Ritchings, through his company SWR Marketing Inc. earned \$24,000 for the fiscal year ending 2013.

Set out below is a summary of compensation paid or accrued during Matica's most recently completed financial year to Matica's directors, other than the NEOs previously disclosed:

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Option-based awards<sup>(1)</sup> (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
David Lee	Nil	Nil	Nil	Nil	Nil
Monty Ritchings <sup>(2)</sup> <i>Former Director</i>	24,000	5,694	Nil	Nil	29,694
Derek Bartlett <sup>(2)</sup> <i>Former Director</i>	25,000	Nil	Nil	Nil	25,000
Alex Johnston <sup>(2)</sup> <i>Former Director</i>	7,000	Nil	Nil	Nil	7,000

Notes:

- (1) The fair value of option-based awards is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of Matica's common shares and expected life of the options.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Risk-free interest rate: 1.	43%	N/A	2.68%
Expected dividend yield:	Nil	N/A	Nil
Expected volatility:	116%	N/A	125%
Expected life of option:	5 years	N/A	5 years

Matica has chosen the Black-Scholes methodology to calculate the grant date fair value of option-based awards as it is the methodology used in Matica's financial statements.

- (2) Monty Ritchings ceased to be a director of Matica on September 29, 2014; Derek Bartlett ceased to be a director of Matica on June 25, 2013; and Alex Johnston ceased to be a director of Matica on June 25, 2013.

### Narrative Discussion

The above directors of Matica are not currently paid any fees for their services as directors, except for reimbursements for out-of-pocket expenses incurred in connection with such duties. However, directors are eligible to participate in the Current Stock Option Plan. Monty Ritchings, through his company SWR Marketing Inc. earned \$24,000 for the fiscal year ending 2013.

### *Incentive Plan Awards*

#### Outstanding Share-Based Awards and Option-Based Awards

Matica does not have any share-based awards held by the directors. The following table sets forth details of all awards granted to directors of Matica which are outstanding at the end of the most recently completed financial year. Matica has not granted any share-based awards.

<b>Option-based Awards</b>				
<b>Name</b>	<b>Number of securities underlying unexercised options (#)</b>	<b>Option exercise price (\$)</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money options (\$)<sup>(1)</sup></b>
Boris Ziger	225,000	\$0.10	March 6, 2018	N/A
	275,000	\$0.10	June 17, 2019	
Monty Ritchings	125,000	\$0.10	March 6, 2018	N/A
Charn Deol	200,000	\$0.10	June 17, 2019	N/A
David Lee	100,000	\$0.10	June 17, 2019	N/A

Note:

- (1) "In-the-Money Options" means the excess of the market value of Matica's shares on December 31, 2013 over the exercise price of the options. The market price for Matica's common shares on December 31, 2013 was \$0.06.

#### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed fiscal year by each director:

<b>Name</b>	<b>Option-based awards – Value vested during the year (\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year (\$)</b>
Boris Ziger	2,904	Nil
Monty Ritchings	1,613	Nil
Charn Deol	Nil	Nil
David Lee	Nil	Nil

### *Equity Compensation Plan Information*

The following table sets out those securities of Matica which have been authorized for issuance under equity compensation plans, as at January 15, 2015:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by the securityholders	4,100,000	\$0.10	2,593,200
Equity compensation plans not approved by the securityholders	N/A	N/A	N/A
<b>Total</b>	4,100,000	\$0.10	2,593,200

### **Management Contracts**

Except as set out herein, there are no management functions of Matica which are to any substantial degree performed by a person or company other than the directors or NEOs of Matica.

### **Indebtedness of Directors and Executive Officers of Matica**

No individual who is, or at any time from the date of Matica's incorporation to the date hereof was a director or executive officer of Matica, or an associate or affiliate of such an individual, is or has been indebted to Matica.

### **Corporate Cease Trade Orders or Bankruptcies**

No director, officer, promoter or other member of management of Matica is, or within the ten years prior to the date of this Circular has been, a director, officer, promoter or other member of management of any other issuer that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that issuer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter.

### **Penalties or Sanctions**

No director, officer, promoter or other member of management of Matica has, during the ten years prior to the date of this Circular, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

### **Personal Bankruptcies**

Other than Mr. Deol, no director, officer, promoter or other member of management of Matica has, during the ten years prior to the date of this Circular, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets. Mr. Deol was discharged out of bankruptcy in 2013.

## **Conflicts of Interest**

The directors of Matica are required by law to act honestly and in good faith with a view to the best interest of Matica and to disclose any interests which they may have in any project or opportunity of Matica. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not Matica will participate in any project or opportunity, that director will primarily consider the degree of risk to which Matica may be exposed and its financial position at that time.

Except as disclosed in this Circular, there are no known existing or potential conflicts of interest among Matica and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

## **Auditors and Registrar and Transfer Agent**

The auditors for Matica are Manning Elliott LLP.

The registrar and transfer agent for Matica is Capital Transfer Agency Inc.

## **Legal Proceedings**

Matica is not party to any outstanding legal proceedings, nor are any such proceedings contemplated.

## **Material Contracts**

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by Matica which can be reasonably regarded as material to Matica are as follows:

- (a) Arrangement Agreement; and
- (b) THCD Agreement.

## **Risk Factors**

In evaluating the Arrangement, Matica Shareholders should carefully consider the following risk factors relating to the Arrangement, Matica and the business of Matica following the Arrangement. The following risk factors are not a definitive list of all risk factors associated with the Arrangement, Matica or the business of Matica following the Arrangement. Additional risk and uncertainties, including those currently known or considered immaterial by Matica, may also adversely affect the Matica Shares, the Reorganization Shares, the Spinco Shares and/or the business of Matica or the Spinco's following the Arrangement.

*There can be no certainty that all conditions precedent to the Arrangement will be satisfied and the market price for the Matica Shares may decline if the Arrangement is not completed.*

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Matica, including receipt of the Final Order. There can be no certainty, nor can Matica provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not completed, the market price of the Matica Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed.

*The exchange of Matica Shares for New Matica Shares and Spinco Shares by a Matica Shareholder may be subject to Canadian income taxes.*

The disposition of the Matica Shares by Matica Shareholders under the Arrangement may result in Canadian federal income taxes. Matica Shareholders should review the more detailed information under “*Certain Canadian Federal Income Tax Considerations*”.

*The Market Price of Matica Shares and New Matica Shares may be subject to wide price fluctuation*

The market price of the Matica shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of Matica, divergence in financial results from expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for Matica and its subsidiaries, general economic conditions, changes in material sources, legislative changes, and other events and factors outside of Matica’s control. In addition, stock markets have, from time to time, experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Matica Shares.

*Capitalization and Commercial Viability*

Matica may not have sufficient funds to carry out the completion of all proposed activities, and may have to obtain other financing or raise additional funds. Matica has limited financial resources, and there is no assurance that additional funding will be available to Matica to carry out the completion of all proposed activities. Although Matica has been successful in the past in obtaining financing through the sale of securities, there can be no assurance that Matica will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of its business plan.

*Limited Business History*

Matica has only recently commenced operations and has no history of operating earnings. The likelihood of success of Matica must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. Matica has limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that Matica can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

*Payment of Dividends Unlikely*

There is no assurance that Matica will pay dividends on the Matica Shares or the New Matica Shares in the foreseeable future, or at all.

*Reliance on Management*

The success of Matica is dependent upon the ability, expertise, judgement, discretion and good faith of its senior management and the management of THCD. Any loss of the services of such individuals could have a material adverse effect on Matica’s business, operating results or financial condition.

*History of Losses*

Matica has incurred losses in recent periods. Matica may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Matica expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If Matica’s revenues do not increase to offset these expected increases in costs and operating expenses, Matica will not be profitable.

### *Additional Financing*

The operation of THCD's facilities and business will be capital intensive. In order to execute the anticipated growth strategy, Matica will require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Matica when needed or on terms which are acceptable. Matica's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit Matica's growth and may have a material adverse effect upon future profitability. Matica will require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Matica Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for Matica to obtain additional capital and to pursue business opportunities, including potential acquisitions.

### *Competition*

There is potential that Matica will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than Matica. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of Matica.

### *Difficulty to Forecast*

Matica will need to rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for THCD's products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of Matica and THCD.

### *Operating Risk and Insurance Coverage*

Matica does not have insurance to protect its assets, operations and employees. Matica may acquire insurance in the future to protect against certain risks in such amounts as it considers reasonable. However, any insurance coverage obtained by Matica may not be adequate to cover any resulting liability. Matica may also be unable to maintain insurance to cover certain risks at economically feasible premiums. If Matica were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Matica were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

### *Management of Growth*

Matica may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Matica to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Matica to deal with this growth may have a material adverse effect on Matica's business, financial condition, results of operations and prospects.

### *Conflicts of Interest*

Certain of the directors and officers of Matica are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of Matica and as officers and directors of such other companies.



### *Litigation*

Matica may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Matica becomes involved be determined against Matica such a decision could adversely affect Matica's ability to continue operating and the market price for the Matica Shares and could use significant resources. Even if Matica is involved in litigation and wins, litigation can redirect significant company resources.

### Risks Related to the Medical Marijuana Industry

#### *License Approval*

There are substantial risks concerning the time required for THCD to complete the MMPR license application process and whether THCD can obtain a license at all.

1. **Risk as to whether the License will be issued.** Although Matica believes that THCD will meet the requirements of the MMPR for grant of the License, there can be no guarantee that Health Canada will issue the License or, if it is issued, that it will be extended or renewed on the same or similar terms. Should Health Canada not grant the License, the business, financial condition and results of the operation of THCD and Matica would be materially adversely affected.
2. **Risk as to whether THCD's MMPR license application will be of sufficient quality.** There is extensive knowledge required to complete the various elements of the MMPR license application which require a high degree of skill and experience. There is no assurance that THCD has sufficient skill and experience or whether it can retain professional input needed for Health Canada to conclude that THCD's MMPR license application is acceptable.
3. **Time required for Health Canada to accept an MMPR application.** The MMPR application is a complex undertaking and the review process is extensive. It is uncertain as to how many applications Health Canada has or will receive and be reviewing, and therefore any estimates of the time required for review of any application submitted by THCD may not be correct.
4. **Risk relating to the time required to obtain an MMPR license.** Given the complexity of the MMPR application process and the financing risk and the time required for these, there is a risk that Health Canada may change the MMPR regime in ways that THCD or Matica does not foresee. For example, Health Canada could change the requirements to complete the application process or to obtain an MMPR license.

#### *Reliance on License*

The ability to grow, store and sell medical marijuana in Canada will be dependent on the License from Health Canada. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of Matica and THCD

#### *Regulatory Risk*

The activities of THCD will be subject to regulation by governmental authorities, particularly Health Canada. Achievement of Matica's business objectives will be contingent, in part, upon THCD's compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Matica cannot predict the time required to secure all appropriate regulatory approvals for THCD's products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of Matica and THCD.

### *Federal Court Case*

On March 21, 2014 the Federal Court of Canada issued an order affecting the repeal of the MMAR and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by four individuals (the “**Order**”). The Government of Canada appealed the Order and on December 15, 2014, the Federal Court of Appeal upheld the Order until the issue is resolved at trial. A full trial on the validity of the MMPR is set to begin in February 2015. It is unclear how the Federal Court of Canada might ultimately decide the case to which the order relates. The risks to the business of Matica and THCD represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing Licenses to possess and/or grow medical cannabis and perhaps others to opt out of the regulated market for THCD’s products and could materially and adversely affect the business, financial condition and results of operations of THCD and Matica.

### *Legislative or Regulatory Reform*

THCD’s operations will be subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical marijuana but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of management, THCD is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Matica and THCD may cause adverse effects to its operations.

The commercial medical marijuana industry is a new industry and Matica anticipates that such regulations will be subject to change as the Federal Government monitors licensed producers in action. As of the date of this listing statement, the MMPR have already been amended. As of March 26, 2014, minor amendments were made to the MMPR.

Furthermore, on June 14, 2014, the Regulations Amending the Narcotic Control Regulations and the Marihuana Purposes Regulations (Communication of Information) were published which propose additional amendments to the Narcotic Control Regulations and the MMPR. The concern is that, unlike other prescribed narcotics, there is very limited monitoring of professional practices of healthcare practitioners in respect of marijuana for medical purposes. The provincial and territorial healthcare licensing authorities, which regulate physicians and nurse practitioners, have identified the need to provide better education and guidance for and monitoring of their members who provide medical documents to their patients to support their access to marijuana for medical purposes. They have requested to be provided with access to information from licensed producers of marijuana for medical purposes on the medical documents signed by their members, to allow them to, among other things, provide better monitoring.

The proposed amendments would require licensed producers, who received a request from a healthcare licensing authority, to provide semi-annual reports to the authority about their members who provided their patients with a medical document supporting the patients’ registration with a licensed producer. These reports would include healthcare practitioner information (name, address and professional license number), daily quantity of dried marijuana supported, period of use, the date the document was signed by the practitioner, and basic patient information (name and date of birth). Healthcare licensing authorities would also be able to request this information in the course of an investigation.

### *Unfavourable Publicity or Consumer Perception*

Matica believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana distributed to such consumers. Consumer perception of THCD’s products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for THCD’s products and the business, results of

operations, financial condition and cash flows of the Matica and THCD. THCD's dependence upon consumer perceptions means that scientific research reports, findings, regulatory proceedings, litigation media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Matica and THCD, the demand for THCD's products, and the business, results of operations, financial condition and cash flows of the Matica and THCD. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or THCD's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

#### *Competition with THCD*

Because of the early stage of the industry in which Matica operates, Matica expects THCD to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and Matica expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, THCD will require a continued high level of investment in research and development, marketing, sales and client support. Matica may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Matica.

#### *Risks Inherent in an Agricultural Business*

THCD's proposed business involves the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks.

#### *Vulnerability to Rising Energy Costs*

THCD's proposed business will consume considerable energy, making THCD vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of Matica and its ability to operate profitably.

#### *Product Recalls*

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of THCD's potential products are recalled due to an alleged product defect or for any other reason, THCD or Matica could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. THCD could lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although THCD will have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of THCD's significant brands were subject to recall, the image of that brand, Matica and THCD could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for THCD's products and could have a material adverse effect on the results of operations and financial condition of Matica and THCD. Additionally, product recalls may lead to increased scrutiny of THCD's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

#### *Environmental and Employee Health and Safety Regulations*

THCD's operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. THCD will incur on-going costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and

safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to THCD's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of THCD.

#### *Dependence on Suppliers and Skilled Labour*

The ability of THCD to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that THCD will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the capital expenditure program of Matica or THCD may be significantly greater than anticipated by its management, and may be greater than funds available to Matica, in which circumstance Matica or THCD may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of Matica and THCD.

#### *Reliance on Key Inputs*

Matica's business will be dependent on a number of key inputs and their related costs including raw materials and supplies related to its production operations, as well as electricity and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of Matica. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, THCD might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to THCD in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of Matica.

## INFORMATION CONCERNING SPINCO1

### **Name, Address and Incorporation**

Spinco1 was incorporated as “Ravenline Exploration Ltd.” pursuant to the OBCA on January 13, 2015. Spinco1 is currently a private company and a wholly-owned subsidiary of Matica. Spinco1’s head office is located at 44 Victoria Street, Suite 1102 Toronto, Ontario M5C 1Y2 and its registered and records office is located at Suite 800 - 365 Bay Street, Toronto, Ontario M5H 2V1.

Upon completion of the Arrangement, Spinco1 will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. After the Effective Date, Spinco1 will have no assets other than Mining Assets and cash transferred to it pursuant to the Arrangement. See “*Description of Business of Spinco1*” below.

### **Description of Business of Spinco1**

Spinco1 currently has no assets and is a recently incorporated entity, incorporated solely for the purpose of this Arrangement.

Spinco1 will acquire the Mining Assets from Matica as part of the Arrangement, and will commence operations as a junior resource company. Completion of the Arrangement is subject to the approval of the Arrangement by the Matica Shareholders, Spinco1 and the Court.

#### *Mining Assets*

##### Maniwaki West Property, Quebec

On July 26, 2013, Matica entered into the Maniwaki Option Agreement to acquire a 100% interest in the Maniwaki Property. The Maniwaki Property is comprised of 24 permits totalling 14.23 km<sup>2</sup>. Pursuant to the Maniwaki Option Agreement, to exercise the option and earn a 100% interest in the Maniwaki Property, Matica was required to issue the Maniwaki Shares upon signing of the option agreement and pay \$10,000 cash. On August 13, 2013, Matica issued the Maniwaki Shares and as of the date of this Circular, has not paid \$10,000 to JP pursuant to the Maniwaki Option Agreement. Upon payment to JP of \$10,000 pursuant to the Maniwaki Option Agreement, Matica will acquire a 100% interest in the Maniwaki Property.

##### Buckingham North and Buckingham properties

On September 20, 2013, Matica entered into the Buckingham North Option Agreement to acquire a 100% interest in the Buckingham North Property. The Buckingham North Property was comprised of 18 permits totalling 10.89 km<sup>2</sup>. Pursuant to the Buckingham North Option Agreement, to exercise the option and earn a 100% interest in the Buckingham North Property, Matica was required to issue the Buckingham North Shares upon signing of the Buckingham North Option Agreement and pay \$5,000 cash on or before November 15, 2013. Matica issued the Buckingham North Shares on November 5, 2013 and as of the date of this Circular, has not paid \$5,000 to JP and Mr. Johnston pursuant to the Buckingham North Option Agreement. Upon payment of \$5,000 to JP and Mr. Johnston pursuant to the Buckingham North Option Agreement, Matica will acquire a 100% interest in the Buckingham North Property.

On November 12, 2013, Matica entered into the Additional Buckingham Option Agreement to acquire a 100% interest in the Additional Buckingham North Property. The Additional Buckingham North Property is comprised of 4 permits totalling 2.4 km<sup>2</sup>. Pursuant to the Additional Buckingham Option Agreement, to exercise the option and earn a 100% interest in the Additional Buckingham North Property, Matica was required to issue the Additional Buckingham Shares upon signing of the option agreement and pay \$5,000 cash on or before December 31, 2013. Matica issued the Additional Buckingham Shares on March 28, 2014 and as of the date of this Circular, has not paid \$5,000 pursuant to the Additional Buckingham Option Agreement. Upon payment of \$5,000 pursuant to the Additional Buckingham Option Agreement, Matica will acquire a 100% interest in the Additional Buckingham Property.

### Grumpy Lizard Project

On January 4, 2014, Matica entered into Grumpy Lizard LOI to acquire 100% of the Grumpy Lizard Project in North West Nevada known as the Grumpy Lizard property which is comprised of 56 claims. The Grumpy Lizard LOI expired on April 30, 2014. Matica paid \$5,000 USD in March 2014 related to the Grumpy Lizard LOI.

For the period ending September 30, 2014, Matica re-assessed the project and decided the project was of merit. Matica reversed the acquisition costs written off in June 30, 2014 as impairment expenses and re-recorded \$5,670 as acquisition costs.

On September 16, 2014, Matica signed the Grumpy Lizard Option Agreement in respect of Grumpy Lizard Project. Under the terms of the Grumpy Lizard Option Agreement, Matica had an option to acquire a 100% interest in the property by paying \$35,000 and issuing 3.4 million shares which were issued in October 2014 and at such time Matica acquired a 100% interest in the Grumpy Lizard Project. The Grumpy Lizard Project is comprised of 96 claims for a total of 1920 acres.

### **Selected Unaudited Pro-Forma Financial Information of Spinco1**

Spinco1 was incorporated on January 13, 2015. Spinco1 has not yet conducted any commercial operations. The following is a summary of certain financial information on a pro-forma basis for Spinco1 as at September 30, 2014, assuming completion of the Arrangement as of such date, and should be read in conjunction with the unaudited pro-forma balance sheet of Spinco1 appended to this Circular as Schedule "F". This unaudited pro-forma balance sheet was prepared as if the Arrangement had occurred on September 30, 2014, taking into account the assumptions stated therein. The unaudited pro-forma balance sheet is not necessarily reflective of the financial position that would have resulted if the events described therein had occurred on September 30, 2014. In addition, the unaudited pro-forma balance sheet is not necessarily indicative of the financial position that may be attained in the future.

	<b>As of September 30, 2014 (unaudited)</b>	<b>Pro-forma as at September 30, 2014 on completion of the Arrangement (unaudited)</b>
Cash	\$Nil	\$20,000
Mining Assets <sup>(1)</sup>	\$Nil	\$570,910
<b>Total Assets</b>	<b>\$Nil</b>	<b>\$590,910</b>

Note:

(1) Fair market value cannot reasonably be determined as no value has been assigned to the Assets by Matica.

### **Available Funds and Principal Purposes for Use**

Upon the Effective Date, Spinco1 anticipates that it will have approximately \$20,000 in funds available, based on \$20,000 being transferred from Matica. Spinco1 intends to utilize the \$20,000 working capital from Matica to fund post-arrangement expenses and expenses associated with the Mining Assets.

### **Share Capital**

The authorized capital of Spinco1 consists of an unlimited number of Spinco1 Shares without par value. As of the date hereof, there is one Spinco1 Share issued and outstanding. After completion of the Arrangement, there will be 22,310,666 Spinco1 Shares issued and outstanding.

All Spinco1 Shares rank equally as to dividends, voting powers and participation in assets. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provision for redemption,

purchase for cancellation, surrender or sinking funds. Provision as to modifications, amendments or variations of such rights or such provisions are contained in the Spinco1 articles and the OBCA.

Pursuant to the Arrangement, one-third of a Spinco1 Share will be issued for each Class 1 Reorganization Share acquired by Matica Shareholders in accordance with the Spinco1 Reorganization Ratio.

### **Options to Purchase Shares**

#### *Stock Options*

Spinco1 has not implemented an incentive stock option plan and does not have any incentive stock options outstanding at this time.

#### *Convertible Securities*

The following convertible securities of Spinco1 will be outstanding as of the Effective Date:

<b>Designation of Security</b>	<b>Date of Expiry</b>	<b>No. of Common Shares issuable upon exercise</b>	<b>Exercise Price</b>
Spinco1 Commitment	Various	6,568,083	Various

### **Prior Sales**

The following table contains details of the prior sales of Spinco1 Shares within the 12 months prior to the date of hereof:

<b>Date of Issue</b>	<b>Number of Spinco1 Shares</b>	<b>Price per Spinco1 Share</b>
January 13, 2015	1 <sup>(1)</sup>	\$1.00

Note:

- (1) Issued to Matica on the date of incorporation of Spinco1. On or prior to the Effective Date, Spinco1 intends to repurchase and return the Spinco1 Share from Matica to treasury.

### **Principal Shareholders of Spinco1**

To the knowledge of the directors and executive officers of Spinco1, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Spinco1 Shares carrying more than 10% of the voting rights attached to all outstanding Spinco1 Shares.

### **Directors and Officers**

Upon completion of the Arrangement, the sole director of Spinco1 will be Boris Ziger and Spinco1 will have no officers. It is the intention of the management of Spinco1 to seek out and retain individuals for the positions of executive officers and directors who have experience in the mining industry.

Boris Ziger, Chief Executive Officer, Chairman and sole director of Spinco1, was appointed as Matica's Chief Executive Officer effective September 27, 2012. Mr. Ziger has over 20 years of experience in the capital markets and has been instrumental in the establishment and financing of junior companies. For the past ten years, Mr. Ziger has been involved largely in the resource sector and has worked closely with many companies holding both board and senior management positions.

Mr. Ziger has not entered into non-competition, non-solicitation or nondisclosure agreements with Spinco1.

### **Executive Compensation**

Spinco1 does not have an employment contract with Mr. Ziger pursuant to which Mr. Ziger will be compensated for his services as executive officers of Spinco1.

### **Indebtedness of Directors and Executive Officers of Spinco1**

No individual who is, or at any time from the date of Spinco1's incorporation to the date hereof was a director or executive officer of Spinco1, or an associate or affiliate of such an individual, is or has been indebted to Spinco1.

### **Corporate Cease Trade Orders or Bankruptcies**

No director, officer, promoter or other member of management of Spinco1 is, or within the ten years prior to the date of this Circular has been, a director, officer, promoter or other member of management of any other issuer that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that issuer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter.

### **Penalties or Sanctions**

No director, officer, promoter or other member of management of Spinco1 has, during the ten years prior to the date of this Circular, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

### **Personal Bankruptcies**

No director, officer, promoter or other member of management of Spinco1 has, during the ten years prior to the date of this Circular, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **Conflicts of Interest**

The directors of Spinco1 are required by law to act honestly and in good faith with a view to the best interest of Spinco1 and to disclose any interests which they may have in any project or opportunity of Spinco1. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not Spinco1 will participate in any project or opportunity, that director will primarily consider the degree of risk to which Spinco1 may be exposed and its financial position at that time.

Except as disclosed in this Circular, to the best of Matica's knowledge, there are no known existing or potential conflicts of interest among Spinco1 and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

### **Auditors and Registrar and Transfer Agent**

Management and the board of directors of Spinco1 intend to select an auditor for Spinco1 after completion of the Arrangement.



It is expected that the registrar and transfer agent for Spinco1 will be Capital Transfer Agency.

### **Legal Proceedings**

Spinco1 is not party to any outstanding legal proceedings, nor are any such proceedings contemplated.

### **Material Contracts**

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by Spinco1 since its incorporation and which can be reasonably regarded as material to Spinco1 are as follows:

- (a) Arrangement Agreement.

The material contracts described above may be inspected at the registered office of Spinco1 at 44 Victoria Street, Suite 1102 Toronto, Ontario M5C 1Y2, during normal business hours prior to the Meeting and for a period of thirty days thereafter.

### **Promoters of Spinco1**

Matica is the promoter of Spinco1.

### **Risk Factors**

In evaluating the Arrangement, Matica Shareholders should carefully consider the following risk factors relating to the Arrangement, Spinco1 and the business of Spinco1 following the Arrangement. The following risk factors are not a definitive list of all risk factors associated with the Arrangement, Spinco1 and the business of Spinco1 following the Arrangement. Additional risk and uncertainties, including those currently known or considered immaterial by Matica and/or Spinco1, may also adversely affect the Matica Shares, the Reorganization Shares, the Spinco Shares and/or the business of Matica or the Spincos following the Arrangement.

*There can be no certainty that all conditions precedent to the Arrangement will be satisfied.*

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Spinco1, including receipt of the Final Order. There can be no certainty, nor can Spinco1 provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

*The Spinco Shares may not be qualified investments under the ITA for a Registered Plan*

An application for listing of the Spinco Shares on a designated stock exchange will not be made on the Effective Date. There is no assurance when, or if, the Spinco Shares will be listed on the Canadian Securities Exchange or any other designated stock exchange. If the Spinco Shares are not listed on a designated stock exchange in Canada before the Due Date for the Spincos' first income tax return or if the Spincos do not otherwise satisfy the conditions in the ITA to be a "public corporation", the Spinco Shares will not be considered to be a qualified investment for a Registered Plan from their date of issue. Where a Registered Plan acquires a Spinco Share in circumstances where the Spinco Share is not a qualified investment under the ITA for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant, beneficiary or holder under the Registered Plan, including that the Registered Plan may become subject to penalty taxes, the annuitant of such Registered Plan may be deemed to have received income therefrom or be subject to a penalty tax or, in the case of a registered education savings plan, such plan may have its tax exempt status revoked.

### *Capitalization and Commercial Viability*

Spinco1 may not have sufficient funds to carry out the completion of all proposed activities, and may have to obtain other financing or raise additional funds. Spinco1 has limited financial resources, and there is no assurance that additional funding will be available to Spinco1 to carry out the completion of all proposed activities. There can be

no assurance that Spinco1 will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of its business plan.

#### *Limited Business History*

Spinco1 has only recently been incorporated and has no history of operations or operating earnings. The likelihood of success of Spinco1 must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. Spinco1 has limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that Spinco1 can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

#### *Payment of Dividends Unlikely*

There is no assurance that Spinco1 will pay dividends on the Spinco1 Shares in the foreseeable future, or at all.

#### *Reliance on Management*

The success of Spinco1 is dependent upon the ability, expertise, judgement, discretion and good faith of its senior management. Any loss of the services of such individuals could have a material adverse effect on Spinco1's business, operating results or financial condition.

#### *Competition*

There is potential that Spinco1 will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than Spinco1. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of Spinco1.

#### *Operating Risk and Insurance Coverage*

Spinco1 does not have insurance to protect its assets, operations and employees. Spinco1 may acquire insurance in the future to protect against certain risks in such amounts as it considers reasonable. However, any insurance coverage obtained by Spinco1 may not be adequate to cover any resulting liability. Spinco1 may also be unable to maintain insurance to cover certain risks at economically feasible premiums. If Spinco1 were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Spinco1 were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

#### *Management of Growth*

Spinco1 may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Spinco1 to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Spinco1 to deal with this growth may have a material adverse effect on Spinco1's business, financial condition, results of operations and prospects.

#### *Conflicts of Interest*

Certain of the directors and officers of Spinco1 are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of Spinco1 and as officers and directors of such other companies.

### *Litigation*

Spinco1 may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Spinco1 becomes involved be determined against Spinco1 such a decision could adversely affect Spinco1's ability to continue operating and the market price for the Spinco1 Shares and could use significant resources. Even if Spinco1 is involved in litigation and wins, litigation can redirect significant company resources.

### Risks associated with Mining Assets

#### *Nature of Mineral Exploration and Mining*

There is no known mineral resource on any of the properties relating to the Mining Assets. Development of the properties will occur only if satisfactory exploration results are obtained. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is, therefore, no assurance that the Spinco1's mineral exploration and development activities will result in any commercially viable mineral discoveries. The long-term profitability of the Spinco1's operations will be, in part, directly related to the cost and success of its exploration programs, which may be affected by a number of factors out of the Spinco1's control.

Substantial expenditures are required to establish reserves through drilling and, if warranted, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations, or at all, or that the funds required for development can be obtained on a timely basis. Mineral exploration is subject to a high degree of risk, which even a combination of experience, knowledge, and careful evaluation may not be able to overcome.

#### *Mineral Deposits and Production Costs; Commodity Prices*

The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, the cost of operations, and fluctuations in the sales price of products. The value of the Spinco1's mineral property interests is heavily influenced by metal prices. Metal prices can and do change by substantial amounts over short periods of time, and are affected by numerous factors that will be beyond the control of the Spinco1, including changes in the level of supply and demand, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production arising from improved mining and production methods and new discoveries. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Spinco1's properties can be mined profitably. Depending on the price received for minerals produced, Spinco1 may determine that it is impractical to commence or continue commercial production.

The grade of any ore ultimately mined from a mineral deposit may differ from that predicted from drilling results. Production volumes and costs can be affected by such factors as the proximity and capacity of processing facilities, permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on the results of operations. Moreover, there can be no assurance that any minerals recovered in small scale laboratory tests will be achieved under production scale conditions. Although precautions to minimize risks will be taken, processing operations are subject to hazards such as equipment failure or failure of tailings impoundment facilities, which may result in environmental pollution and consequent liability.

#### *The Exploration and Development of Mineral Resources is Highly Speculative*

Resource exploration and development is a highly speculative and risky business and few properties that are explored are ultimately developed into producing mines. Advancing properties from exploration into the development and production stages requires significant capital and time, and successful commercial production from

a property, if any, will be subject to completing feasibility studies, permitting and construction of the mine, processing plants, roads and other related works and infrastructure, including road and rail access. As a result, Spinco1 will be subject to all of the risks associated with developing and establishing new mining operations, including:

- the completion of feasibility studies to verify reserves and commercial viability, including the ability to find sufficient quantities and qualities of mineralization to support a commercial mining operation;
- the timing and cost, which can be considerable, of further exploration, preparing feasibility studies, permitting and construction of infrastructure, mining and processing facilities;
- the availability and cost of drill equipment, exploration personnel, skilled labour and mining and processing equipment, if required;
- the availability and cost of appropriate smelting and/or refining arrangements, if required, and securing a commercially viable sales outlet for Spinco1's products;
- compliance with environmental and other governmental approval and permit requirements, including the timing of the receipt of those approvals and permits;
- the availability and terms of funds to finance exploration, development and construction activities;
- potential increases in exploration, construction and operating costs due to changes in the cost or availability of fuel, power, water, materials and supplies;
- potential opposition from non-governmental organizations, environmental groups or local groups, which may delay or prevent development activities;
- potential shortages in mineral-processing, construction and other facilities-related supplies; and
- market fluctuations.

The costs, timing and complexities of exploration, development and mine construction activities may be increased by the remote location of the properties and demand by other mineral exploration and mining companies. Cost estimates may increase significantly as more detailed engineering work and studies are completed on a mineral property. It is common in new mining operations to experience unexpected costs, problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, no assurance can be given that minerals will be discovered in sufficient quantity or quality to justify commercial operations or that the Spinco1's activities in jurisdictions in which it acquires mineral properties will result in profitable mining operations.

#### *Governmental Regulations, Licenses and Permits*

Spinco1's mining, exploration and development projects are located principally in the US and Canada and are subject to extensive laws and regulations governing various matters including, but not limited to, exploration, development, production, price controls, exports, taxes, mining royalties, labour standards, expropriation of property, maintenance of claims, land use, land claims of local people, water use, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resource preservation, mine safety, occupational health, and the management and use of toxic substances and explosives, including handling, storage and transportation of hazardous substances.

Such laws and regulations may require Spinco1 to obtain licenses and permits from various governmental authorities. Failure to comply with applicable laws and regulations, including licensing and permitting requirements, may result in civil or criminal fines, penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining or curtailing operations, requiring corrective measures, requiring the

installation of additional equipment, requiring remedial actions or imposing additional local or foreign parties as joint venture partners, any of which could result in significant expenditures or loss of income by Spincol. Spincol may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations, licensing requirements or permitting requirements.

Spincol's income and its mining, exploration and development projects could be adversely affected by amendments to such laws and regulations, by future laws and regulations, by more stringent enforcement of current laws and regulations, by changes in the policies of Canada and the US affecting foreign trade, investment, mining and repatriation of financial assets, by shifts in political attitudes in Canada and the US and by exchange controls and currency fluctuations. The effect, if any, of these factors cannot be accurately predicted. Further, there can be no assurance that Spincol will be able to obtain or maintain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing Spincol's mining, exploration and development activities and operations in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that Spincol would not proceed with mining, exploration and development at one or more of its properties. Moreover, it is possible that future regulatory developments, such as new taxes or fees or increases in existing taxes or fees or amendments to the way in which such taxes or fees are calculated or the imposition of increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from Spincol's mining, exploration and development projects could result in substantial costs and liabilities for Spincol such that it would not proceed with mining, exploration and development at one or more of its properties.

#### *Title to Properties*

The validity of mining or exploration titles or claims or rights, which constitute most of Spincol's property holdings, can be uncertain and may be contested. Spincol has used its reasonable commercial efforts to investigate its title or claims to its various properties, however, no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims and that such exploration and mining titles or claims will not be challenged or impugned by third parties.

#### *Environmental and Health and Safety Regulation*

Spincol's operations are subject to extensive laws and regulations governing environmental protection and employee health and safety promulgated by governments and government agencies from time to time. Environmental regulation provides for restrictions on, and the prohibition of, spills and the release and emission of various substances related to mining industry operations which could result in environmental pollution. Further, a number of governments have introduced or are moving to introduce climate change regulation.

Environmental laws and regulations are complex and have tended to become more stringent over time. Spincol is required to obtain governmental permits and in some instances air, water quality, and mine reclamation rules and permits. Although Spincol makes provisions for reclamation costs, it cannot be assured that these provisions will be adequate to discharge its future obligations for these costs. Failure to comply with applicable environmental and health and safety laws may result in injunctions, damages, suspension or revocation of permits and imposition of penalties. Environmental regulation is evolving in a manner resulting in stricter standards and the enforcement of, and fines and penalties for, non-compliance are becoming more stringent. In addition, certain types of operations require submissions of, and approval of, environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees.

Some of the costs associated with reducing emissions can be offset by increased energy efficiency and technological innovation. However, the cost of compliance with environmental regulation and changes in environmental regulation has the potential to result in increased cost of operations, reducing the profitability of Spincol's operations.

There can be no assurance that Spincol will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially and adversely affect Spincol's business, results of operations or financial condition.

#### *Obtaining Future Financing*

The further exploitation, development and exploration of mineral properties in which Spincol holds interests or which Spincol acquires may depend upon its ability to obtain financing through equity financing or debt financing, joint ventures or other means. There is no assurance that Spincol will be successful in obtaining required financing as and when needed. Volatile precious metals and equity markets may make it difficult or impossible for Spincol to obtain further financing on favourable terms or at all.

#### *Stress in the Global Economy*

Reduction in credit, combined with reduced economic activity and the fluctuations in the United States dollar, may adversely affect businesses and industries that purchase commodities, affecting commodity prices in more significant and unpredictable ways than the normal risks associated with commodity prices. The availability of services such as drilling contractors and geological service companies and/or the terms on which these services are provided may be adversely affected by the economic impact on the service providers. The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and Spincol will be dependent upon the capital markets to raise financing. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on Spincol's businesses, operating results, and financial condition.

#### *Permits and Licenses*

The operations of Spincol will require licenses and permits from various governmental and non-governmental authorities. Spincol will obtain, at the appropriate time, all necessary licenses and permits required under applicable laws and regulations to carry on with activities which it proposes to conduct. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that Spincol will be able to obtain all necessary licenses, permits or approvals required to carry out exploration, development and mining operations on its projects.

#### *Competition*

The mineral exploration and mining business is competitive in all of its phases. Spincol will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources than Spincol, in the search for and the acquisition of attractive mineral properties. The ability of Spincol to acquire properties in the future will depend not only on their ability to develop their present properties, but also on their ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that Spincol will continue to be able to compete successfully with the competition in acquiring such properties or prospects.

#### *Unknown Environmental Risks for Past Activities*

Exploration and mining operations involve a potential risk of releases of metals, chemicals, fuels, liquids having acidic properties and other contaminants to soil, surface water and groundwater. In recent years, regulatory requirements and improved technology have significantly reduced those risks, however, those risks have not been eliminated, and the risk of environmental contamination from present and past exploration or mining activities exists for mining companies. Spincol may be liable for environmental contamination and natural resource damages relating to properties that it will hold an interest in, or at which environmental contamination occurred while or before Spincol owned, operated or acquired an interest in the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at these properties do not exist.

### *Cost of Land Reclamation*

It is difficult to determine the exact amounts that will be required to complete all land reclamation activities on the Properties, whether as a result of past and current exploration activities or in the future as a result of mine development and production. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of Spincol.

### *Political Regulatory Risks*

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, labour relations, repatriation of income and return of capital. This may affect both Spincol's ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has interests or in respect of which it has obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

### *Currency Risk*

Currency fluctuations may affect the cash flow which Spincol may realize from its operations, since most mineral commodities are sold in a world market in US dollars. Spincol's costs will be incurred primarily in United States dollars.

### *Influence of Third Party Stakeholders*

The lands in which Spincol will hold interests, or the exploration equipment and road or other means of access which Spincol intends to utilize in carrying out work programs or general exploration mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, the work programs of Spincol may be delayed even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for Spincol.

## INFORMATION CONCERNING SPINCO2

### **Name, Address and Incorporation**

Spinco2 was incorporated as “1022607 B.C. Ltd.” pursuant to the BCBCA on December 19, 2014. Spinco2 is currently a private company and a wholly-owned subsidiary of Matica. Spinco2’s head office is located at 44 Victoria Street, Suite 1102 Toronto, Ontario M5C 1Y2 and its registered and records office is located at 2600 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

Upon completion of the Arrangement, Spinco2 will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. After the Effective Date, Spinco2 will have no assets other than THCO LOI and cash transferred to it pursuant to the Arrangement. See “*Description of Business of Spinco2*” below.

### **Description of Business of Spinco2**

Spinco2 currently has no assets and is a recently incorporated entity, incorporated solely for the purpose of this Arrangement.

On completion of the Arrangement, Spinco2 will commence its business as a medical marijuana company. The objectives of Spinco2’s management will be to raise equity funds to pursue the THCO LOI. Spinco2 will also evaluate and may acquire additional assets from time to time.

### ***THCO LOI***

On December 17, 2014, Matica entered into a letter of intent with THCO, a corporation operating as THCO.ca, to acquire a 100% interest in THCO. Upon completion of the Arrangement, the THCO LOI will contemplate that Spinco2 will forward \$250,000 to THCO upon signing a definitive agreement. Upon receipt of the approval of the Transaction by the CSE, a share exchange will occur whereby Spinco2 will exchange common shares of Spinco2 for all of the issued and outstanding shares of THCO. THCO has agreed to a standstill pursuant to which it will not solicit or entertain offers from, or negotiate with or in any manner discuss any proposals of any other parties relating to an acquisition of its assets. The entering into of the definitive agreement will remain subject to a number of conditions, including completion of satisfactory due diligence in respect of THCO and finalization of all key terms. Should the parties enter into the definitive agreement, the transaction would remain subject to a number of further conditions.

### ***Business of THCO***

THCO is an end to end solution that facilitates the process and interaction between patients, doctors, suppliers & government agencies for the delivery of medical marijuana. THCO aims to align its goals with Health Canada in order to receive the support of Health Canada in its intended role as a service provider of medical marijuana. THCO wishes to ensure quality through user reviews, responsibility through audit trails and governance through controlling the entire process and to simplify the entire process so that patients are ultimately served with the care and attention they require. THCO intends to wrap a number of systems under a single umbrella which includes a patient management system, prescription management system, marketplace system, inventory system, customer resolution system and a sophisticated reporting system.

### **Selected Unaudited Pro-Forma Financial Information of Spinco2**

Spinco2 was incorporated on December 19, 2014. Spinco2 has not yet conducted any commercial operations. The following is a summary of certain financial information on a pro-forma basis for Spinco2 as at September 30, 2014, assuming completion of the Arrangement as of such date, and should be read in conjunction with the unaudited pro-forma balance sheet of Spinco2 appended to this Circular as Schedule “F”. This unaudited pro-forma balance sheet was prepared as if the Arrangement had occurred on September 30, 2014, taking into account the assumptions stated therein. The unaudited pro-forma balance sheet is not necessarily reflective of the financial position that would have



resulted if the events described therein had occurred on September 30, 2014. In addition, the unaudited pro-forma balance sheet is not necessarily indicative of the financial position that may be attained in the future.

	As of September 30, 2014 (unaudited)	Pro-forma as at September 30, 2014 on completion of the Arrangement (unaudited)
Cash	\$Nil	\$20,000
THCO LOI <sup>(1)</sup>	\$Nil	\$Nil
<b>Total Assets</b>	<b>\$Nil</b>	<b>\$20,000</b>

Note:

(1) Fair market value cannot reasonably be determined as no value has been assigned to the Assets by Matica.

### Available Funds and Principal Purposes for Use

Upon the Effective Date, Spinco2 anticipates that it will have approximately \$20,000 in funds available, based on \$20,000 being transferred from Matica. Spinco2 intends to utilize the \$20,000 working capital from Matica to fund post-arrangement expenses and expenses associated with the Proposed THCO Investment.

### Share Capital

The authorized capital of Spinco2 consists of an unlimited number of Spinco2 Shares without par value. As of the date hereof, there is one Spinco2 Share issued and outstanding. After completion of the Arrangement, there will be 4,462,133 Spinco2 Shares issued and outstanding.

All Spinco2 Shares rank equally as to dividends, voting powers and participation in assets. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provision for redemption, purchase for cancellation, surrender or sinking funds. Provision as to modifications, amendments or variations of such rights or such provisions are contained in the Spinco2 articles and the BCBCA.

Pursuant to the Arrangement, one-fifteenth of a Spinco2 Share will be issued for each Class 2 Reorganization Share acquired by Matica Shareholders in accordance with the Spinco2 Reorganization Ratio.

### Options to Purchase Shares

#### *Stock Options*

Spinco2 has not implemented an incentive stock option plan and does not have any incentive stock options outstanding at this time.

#### *Convertible Securities*

The following convertible securities of Spinco2 will be outstanding as of the Effective Date:

Designation of Security	Date of Expiry	No. of Common Shares issuable upon exercise	Exercise Price
Spinco2 Commitment	Various	1,313,616	Various

## Prior Sales

The following table contains details of the prior sales of Spinco2 Shares within the 12 months prior to the date of hereof:

Date of Issue	Number of Spinco2 Shares	Price per Spinco2 Share
December 19, 2014	1 <sup>(1)</sup>	\$1.00

Note:

- (1) Issued to Matica on the date of incorporation of Spinco2. On or prior to the Effective Date, Spinco2 intends to repurchase and return the Spinco2 Share from Matica to treasury.

## Principal Shareholders of Spinco2

To the knowledge of the directors and executive officers of Spinco2, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Spinco2 Shares carrying more than 10% of the voting rights attached to all outstanding Spinco2 Shares.

## Directors and Officers

Upon completion of the Arrangement, the sole director of Spinco2 will be Boris Ziger and Spinco2 will have no officers. It is the intention of Spinco2 to seek out and retain individuals for the positions of executive officers and directors who have experience in the medical marijuana industry.

Boris Ziger, Chief Executive Officer, Chairman and sole director of Spinco2, was appointed as Matica's Chief Executive Officer effective September 27, 2012. Mr. Ziger has over 20 years of experience in the capital markets and has been instrumental in the establishment and financing of junior companies. For the past ten years, Mr. Ziger has been involved largely in the resource sector and has worked closely with many companies holding both board and senior management positions.

Mr. Ziger has not entered into non-competition, non-solicitation or nondisclosure agreements with Spinco2.

## Executive Compensation

Spinco2 does not have an employment contract with Mr. Ziger pursuant to which Mr. Ziger will be compensated for his services as executive officers of Spinco2.

## Indebtedness of Directors and Executive Officers of Spinco2

No individual who is, or at any time from the date of Spinco2's incorporation to the date hereof was a director or executive officer of Spinco2, or an associate or affiliate of such an individual, is or has been indebted to Spinco2.

## Corporate Cease Trade Orders or Bankruptcies

No director, officer, promoter or other member of management of Spinco2 is, or within the ten years prior to the date of this Circular has been, a director, officer, promoter or other member of management of any other issuer that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that issuer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter.

### **Penalties or Sanctions**

No director, officer, promoter or other member of management of Spinco2 has, during the ten years prior to the date of this Circular, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

### **Personal Bankruptcies**

No director, officer, promoter or other member of management of Spinco2 has, during the ten years prior to the date of this Circular, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **Conflicts of Interest**

The directors of Spinco2 are required by law to act honestly and in good faith with a view to the best interest of Spinco2 and to disclose any interests which they may have in any project or opportunity of Spinco2. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not Spinco2 will participate in any project or opportunity, that director will primarily consider the degree of risk to which Spinco2 may be exposed and its financial position at that time.

Except as disclosed in this Circular, to the best of Matica's knowledge, there are no known existing or potential conflicts of interest among Spinco2 and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

### **Auditors and Registrar and Transfer Agent**

Management and the board of directors of Spinco2 intend to select an auditor for Spinco2 after completion of the Arrangement.

It is expected that the registrar and transfer agent for Spinco2 will be Capital Transfer Agency.

### **Legal Proceedings**

Spinco2 is not party to any outstanding legal proceedings, nor are any such proceedings contemplated.

### **Material Contracts**

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by Spinco2 since its incorporation and which can be reasonably regarded as material to Spinco2 are as follows:

- (a) Arrangement Agreement; and
- (b) THCO LOI.

The material contracts described above may be inspected at the registered office of Spinco2 at 44 Victoria Street, Suite 1102 Toronto, Ontario M5C 1Y2, during normal business hours prior to the Meeting and for a period of thirty days thereafter.

## **Promoters of Spinco2**

Matica is the promoter of Spinco2.

## **Risk Factors**

In evaluating the Arrangement, Matica Shareholders should carefully consider the following risk factors relating to the Arrangement, Spinco2 and the business of Spinco2 following the Arrangement. The following risk factors are not a definitive list of all risk factors associated with the Arrangement, Spinco2 and the business of Spinco2 following the Arrangement. Additional risk and uncertainties, including those currently known or considered immaterial by Matica and/or Spinco2, may also adversely affect the Matica Shares, the Reorganization Shares, the Spinco Shares and/or the business of Matica or the Spincos following the Arrangement.

*There can be no certainty that all conditions precedent to the Arrangement will be satisfied.*

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Spinco2, including receipt of the Final Order. There can be no certainty, nor can Spinco2 provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

*The Spinco Shares may not be qualified investments under the ITA for a Registered Plan*

An application for listing of the Spinco Shares on a designated stock exchange will not be made on the Effective Date. There is no assurance when, or if, the Spinco Shares will be listed on the Canadian Securities Exchange or any other designated stock exchange. If the Spinco Shares are not listed on a designated stock exchange in Canada before the Due Date for the Spincos' first income tax return or if the Spincos do not otherwise satisfy the conditions in the ITA to be a "public corporation", the Spinco Shares will not be considered to be a qualified investment for a Registered Plan from their date of issue. Where a Registered Plan acquires a Spinco Share in circumstances where the Spinco Share is not a qualified investment under the ITA for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant, beneficiary or holder under the Registered Plan, including that the Registered Plan may become subject to penalty taxes, the annuitant of such Registered Plan may be deemed to have received income therefrom or be subject to a penalty tax or, in the case of a registered education savings plan, such plan may have its tax exempt status revoked.

*Capitalization and Commercial Viability*

Spinco2 may not have sufficient funds to carry out the completion of all proposed activities, and may have to obtain other financing or raise additional funds. Spinco2 has limited financial resources, and there is no assurance that additional funding will be available to Spinco2 to carry out the completion of all proposed activities. There can be no assurance that Spinco2 will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of its business plan.

*Limited Business History*

Spinco2 has only recently been incorporated and has no history of operations or operating earnings. The likelihood of success of Spinco2 must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. Spinco2 has limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that Spinco2 can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

*Payment of Dividends Unlikely*

There is no assurance that Spinco2 will pay dividends on the Spinco2 Shares in the foreseeable future, or at all.

### *Reliance on Management*

The success of Spinco2 is dependent upon the ability, expertise, judgement, discretion and good faith of its senior management. Any loss of the services of such individuals could have a material adverse effect on Spinco2's business, operating results or financial condition.

### *Competition*

There is potential that Spinco2 will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than Spinco2. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of Spinco2.

### *Operating Risk and Insurance Coverage*

Spinco2 does not have insurance to protect its assets, operations and employees. Spinco2 may acquire insurance in the future to protect against certain risks in such amounts as it considers reasonable. However, any insurance coverage obtained by Spinco2 may not be adequate to cover any resulting liability. Spinco2 may also be unable to maintain insurance to cover certain risks at economically feasible premiums. If Spinco2 were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Spinco2 were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

### *Management of Growth*

Spinco2 may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Spinco2 to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Spinco2 to deal with this growth may have a material adverse effect on Spinco2's business, financial condition, results of operations and prospects.

### *Conflicts of Interest*

Certain of the directors and officers of Spinco2 are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of Spinco2 and as officers and directors of such other companies.

### *Litigation*

Spinco2 may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Spinco2 becomes involved be determined against Spinco2 such a decision could adversely affect Spinco2's ability to continue operating and the market price for the Spinco2 Shares and could use significant resources. Even if Spinco2 is involved in litigation and wins, litigation can redirect significant company resources.

### Risks Related to the Medical Marijuana Industry

#### *Regulatory Risk*

The activities of THCO will be subject to regulation by governmental authorities, particularly Health Canada. Achievement of Spinco2's business objectives will be contingent, in part, upon THCO's compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Spinco2 cannot predict the time required to secure all appropriate regulatory approvals for THCO's products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets

and products and could have a material adverse effect on the business, results of operations and financial condition of Spinco2.

#### *Federal Court Case*

On March 21, 2014 the Federal Court of Canada issued the Order. The Government of Canada appealed the Order and on December 15, 2014, the Federal Court of Appeal upheld the Order until the issue is resolved at trial. A full trial on the validity of the MMPR is set to begin in February 2015. It is unclear how the Federal Court of Canada might ultimately decide the case to which the order relates. The risks to the business of Spinco2 and THCO represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing Licenses to possess and/or grow medical cannabis and perhaps others to opt out of the regulated market for THCO's products and could materially and adversely affect the business, financial condition and results of operations of THCO and Spinco2.

#### *Legislative or Regulatory Reform*

THCO's operations will be subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical marijuana but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of management, THCO is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Matica and THCO may cause adverse effects to its operations.

The commercial medical marijuana industry is a new industry and Spinco2 anticipates that such regulations will be subject to change as the Federal Government monitors licensed producers in action. As of the date of this listing statement, the MMPR have already been amended. As of March 26, 2014, minor amendments were made to the MMPR.

Furthermore, on June 14, 2014, the Regulations Amending the Narcotic Control Regulations and the Marihuana Purposes Regulations (Communication of Information) were published which propose additional amendments to the Narcotic Control Regulations and the MMPR. The concern is that, unlike other prescribed narcotics, there is very limited monitoring of professional practices of healthcare practitioners in respect of marijuana for medical purposes. The provincial and territorial healthcare licensing authorities, which regulate physicians and nurse practitioners, have identified the need to provide better education and guidance for and monitoring of their members who provide medical documents to their patients to support their access to marijuana for medical purposes. They have requested to be provided with access to information from licensed producers of marijuana for medical purposes on the medical documents signed by their members, to allow them to, among other things, provide better monitoring.

The proposed amendments would require licensed producers, who received a request from a healthcare licensing authority, to provide semi-annual reports to the authority about their members who provided their patients with a medical document supporting the patients' registration with a licensed producer. These reports would include healthcare practitioner information (name, address and professional license number), daily quantity of dried marijuana supported, period of use, the date the document was signed by the practitioner, and basic patient information (name and date of birth). Healthcare licensing authorities would also be able to request this information in the course of an investigation.

#### *Unfavourable Publicity or Consumer Perception*

Spinco2 believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana distributed to such consumers. Consumer perception of THCO's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention

or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for THCO's products and the business, results of operations, financial condition and cash flows of the Spinco2 and THCO. THCO's dependence upon consumer perceptions means that scientific research reports, findings, regulatory proceedings, litigation media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Spinco2 and THCO, the demand for THCO's products, and the business, results of operations, financial condition and cash flows of the Spinco2 and THCO. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or THCO's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

#### *Competition with THCO*

Because of the early stage of the industry in which Spinco2 operates, Spinco2 expects THCO to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and Spinco2 expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, THCO will require a continued high level of investment in research and development, marketing, sales and client support. Spinco2 may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Spinco2.

#### *Product Recalls*

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of THCO's potential products are recalled due to an alleged product defect or for any other reason, THCO or Spinco2 could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. THCO could lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although THCO will have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of THCO's significant brands were subject to recall, the image of that brand, Spinco2 and THCO could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for THCO's products and could have a material adverse effect on the results of operations and financial condition of Spinco2 and THCO. Additionally, product recalls may lead to increased scrutiny of THCO's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

#### *Environmental and Employee Health and Safety Regulations*

THCO's operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. THCO will incur on-going costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to THCO's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of THCO.

#### *Dependence on Suppliers and Skilled Labour*

The ability of THCO to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that THCO will be

successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the capital expenditure program of Spinco2 or THCO may be significantly greater than anticipated by its management, and may be greater than funds available to Spinco2, in which circumstance Spinco2 or THCO may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of Spinco2 and THCO.

#### *Reliance on Key Inputs*

Spinco2's business will be dependent on a number of key inputs and their related costs including raw materials and supplies related to its production operations, as well as electricity and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of Spinco2. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, THCO might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to THCO in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of Spinco2.



## INFORMATION CONCERNING SPINCO3

### **Name, Address and Incorporation**

Spinco3 was incorporated as “1022608 B.C. Ltd.” pursuant to the BCBCA on December 19, 2014. Spinco3 is currently a private company and a wholly-owned subsidiary of Matica. Spinco3’s head office is located at 44 Victoria Street, Suite 1102 Toronto, Ontario M5C 1Y2 and its registered and records office is located at 2600 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

Upon completion of the Arrangement, Spinco3 will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. After the Effective Date, Spinco3 will have no assets other than LISL LOI and cash transferred to it pursuant to the Arrangement. See “*Description of Business of Spinco3*” below.

### **Description of Business of Spinco3**

Spinco3 currently has no assets and is a recently incorporated entity, incorporated solely for the purpose of this Arrangement.

On completion of the Arrangement, Spinco3 will commence its business as an industrial solutions company. The objectives of Spinco3’s management will be to raise equity funds to pursue the LISL LOI. Spinco3 will also evaluate and may acquire additional assets from time to time.

### *LISL LOI*

On December 23, 2014, Matica entered into a letter of intent with LISL to acquire all of the issued and outstanding shares of LISL. Upon completion of the Arrangement, the LISL LOI will contemplate that Spinco3 and LISL will enter into a definitive agreement whereby the parties will pursue the potential business combination. The entering into of the definitive agreement will remain subject to a number of conditions, including completion of satisfactory due diligence in respect of LISL and finalization of all key terms. Should the parties enter into the definitive agreement, the transaction would remain subject to a number of further conditions.

### *Business of LISL*

LISL is an industrial supply distributor in Bangladesh specializing in conveying solutions. LISL services companies in the tobacco production, food and agricultural manufacturing, tea drying and packing industries. It is the only supplier in Bangladesh to offer on-site splicing. LISL also offers specialized conveying products that are anti-static, food grade and/or FDA certified.

### **Selected Unaudited Pro-Forma Financial Information of Spinco3**

Spinco3 was incorporated on December 19, 2014. Spinco3 has not yet conducted any commercial operations. The following is a summary of certain financial information on a pro-forma basis for Spinco3 as at September 30, 2014, assuming completion of the Arrangement as of such date, and should be read in conjunction with the unaudited pro-forma balance sheet of Spinco3 appended to this Circular as Schedule “F”. This unaudited pro-forma balance sheet was prepared as if the Arrangement had occurred on September 30, 2014, taking into account the assumptions stated therein. The unaudited pro-forma balance sheet is not necessarily reflective of the financial position that would have resulted if the events described therein had occurred on September 30, 2014. In addition, the unaudited pro-forma balance sheet is not necessarily indicative of the financial position that may be attained in the future.

	As of September 30, 2014 (unaudited)	Pro-forma as at September 30, 2014 on completion of the Arrangement (unaudited)
Cash	\$Nil	\$20,000
LISL LOI <sup>(1)</sup>	\$Nil	\$Nil
<b>Total Assets</b>	<b>\$Nil</b>	<b>\$20,000</b>

Note:

(1) Fair market value cannot reasonably be determined as no value has been assigned to the Assets by Matica.

### Available Funds and Principal Purposes for Use

Upon the Effective Date, Spinco3 anticipates that it will have approximately \$20,000 in funds available, based on \$20,000 being transferred from Matica. Spinco3 intends to utilize the \$20,000 working capital from Matica to fund post-arrangement expenses and expenses associated with the Proposed LISL Acquisition.

### Share Capital

The authorized capital of Spinco3 consists of an unlimited number of Spinco3 Shares without par value. As of the date hereof, there is one Spinco3 Share issued and outstanding. After completion of the Arrangement, there will be 892,426 Spinco3 Shares issued and outstanding.

All Spinco3 Shares rank equally as to dividends, voting powers and participation in assets. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provision for redemption, purchase for cancellation, surrender or sinking funds. Provision as to modifications, amendments or variations of such rights or such provisions are contained in the Spinco3 articles and the BCBCA.

Pursuant to the Arrangement, one-seventy fifth of a Spinco3 Share will be issued for each Class 3 Reorganization Share acquired by Matica Shareholders in accordance with the Spinco3 Reorganization Ratio.

### Options to Purchase Shares

#### *Stock Options*

Spinco3 has not implemented an incentive stock option plan and does not have any incentive stock options outstanding at this time.

### Convertible Securities

The following convertible securities of Spinco3 will be outstanding as of the Effective Date:

Designation of Security	Date of Expiry	No. of Common Shares issuable upon exercise	Exercise Price
Spinco3 Commitment	Various	262,723	Various

Note:

(1) Management of Matica expects to receive signed waivers from each optionholder waiving any right to receive Spinco3 Shares in addition to Matica Shares to which the holder is entitled to upon exercise of the options.

### **Prior Sales**

The following table contains details of the prior sales of Spinco3 Shares within the 12 months prior to the date of hereof:

<b>Date of Issue</b>	<b>Number of Spinco3 Shares</b>	<b>Price per Spinco3 Share</b>
December 19, 2014	1 <sup>(1)</sup>	\$1.00

Note:

- (1) Issued to Matica on the date of incorporation of Spinco3. On or prior to the Effective Date, Spinco3 intends to repurchase and return the Spinco3 Share from Matica to treasury.

### **Principal Shareholders of Spinco3**

To the knowledge of the directors and executive officers of Spinco3, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Spinco3 Shares carrying more than 10% of the voting rights attached to all outstanding Spinco3 Shares.

### **Directors and Officers**

Upon completion of the Arrangement, the sole director of Spinco3 will be Boris Ziger and Spinco3 will have no officers. It is the intention of Spinco3 to seek out and retain individuals for the positions of executive officers and directors who have experience in the industrial solutions sector.

Boris Ziger, Chief Executive Officer, Chairman and sole director of Spinco3, was appointed as Matica's Chief Executive Officer effective September 27, 2012. Mr. Ziger has over 20 years of experience in the capital markets and has been instrumental in the establishment and financing of junior companies. For the past ten years, Mr. Ziger has been involved largely in the resource sector and has worked closely with many companies holding both board and senior management positions.

Mr. Ziger has not entered into non-competition, non-solicitation or nondisclosure agreements with Spinco3.

### **Executive Compensation**

Spinco3 does not have an employment contract with Mr. Ziger pursuant to which Mr. Ziger will be compensated for his services as executive officers of Spinco3.

### **Indebtedness of Directors and Executive Officers of Spinco3**

No individual who is, or at any time from the date of Spinco3's incorporation to the date hereof was a director or executive officer of Spinco3, or an associate or affiliate of such an individual, is or has been indebted to Spinco3.

### **Corporate Cease Trade Orders or Bankruptcies**

No director, officer, promoter or other member of management of Spinco3 is, or within the ten years prior to the date of this Circular has been, a director, officer, promoter or other member of management of any other issuer that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that issuer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter.

### **Penalties or Sanctions**

No director, officer, promoter or other member of management of Spinco3 has, during the ten years prior to the date of this Circular, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

### **Personal Bankruptcies**

No director, officer, promoter or other member of management of Spinco3 has, during the ten years prior to the date of this Circular, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **Conflicts of Interest**

The directors of Spinco3 are required by law to act honestly and in good faith with a view to the best interest of Spinco3 and to disclose any interests which they may have in any project or opportunity of Spinco3. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not Spinco3 will participate in any project or opportunity, that director will primarily consider the degree of risk to which Spinco3 may be exposed and its financial position at that time.

Except as disclosed in this Circular, to the best of Matica's knowledge, there are no known existing or potential conflicts of interest among Spinco3 and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

### **Auditors and Registrar and Transfer Agent**

Management and the board of directors of Spinco3 intend to select an auditor for Spinco3 after completion of the Arrangement.

It is expected that the registrar and transfer agent for Spinco3 will be Capital Transfer Agency.

### **Legal Proceedings**

Spinco3 is not party to any outstanding legal proceedings, nor are any such proceedings contemplated.

### **Material Contracts**

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by Spinco3 since its incorporation and which can be reasonably regarded as material to Spinco3 are as follows:

- (a) Arrangement Agreement; and
- (b) LISL LOI.

The material contracts described above may be inspected at the registered office of Spinco3 at 44 Victoria Street, Suite 1102 Toronto, Ontario M5C 1Y2, during normal business hours prior to the Meeting and for a period of thirty days thereafter.

## **Promoters of Spinco3**

Matica is the promoter of Spinco3.

## **Risk Factors**

In evaluating the Arrangement, Matica Shareholders should carefully consider the following risk factors relating to the Arrangement, Spinco3 and the business of Spinco3 following the Arrangement. The following risk factors are not a definitive list of all risk factors associated with the Arrangement, Spinco3 and the business of Spinco3 following the Arrangement. Additional risk and uncertainties, including those currently known or considered immaterial by Matica and/or Spinco3, may also adversely affect the Matica Shares, the Reorganization Shares, the Spinco Shares and/or the business of Matica or the Spincos following the Arrangement.

*There can be no certainty that all conditions precedent to the Arrangement will be satisfied.*

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Spinco3, including receipt of the Final Order. There can be no certainty, nor can Spinco3 provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

*The Spinco Shares may not be qualified investments under the ITA for a Registered Plan*

An application for listing of the Spinco Shares on a designated stock exchange will not be made on the Effective Date. There is no assurance when, or if, the Spinco Shares will be listed on the Canadian Securities Exchange or any other designated stock exchange. If the Spinco Shares are not listed on a designated stock exchange in Canada before the Due Date for the Spincos' first income tax return or if the Spincos do not otherwise satisfy the conditions in the ITA to be a "public corporation", the Spinco Shares will not be considered to be a qualified investment for a Registered Plan from their date of issue. Where a Registered Plan acquires a Spinco Share in circumstances where the Spinco Share is not a qualified investment under the ITA for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant, beneficiary or holder under the Registered Plan, including that the Registered Plan may become subject to penalty taxes, the annuitant of such Registered Plan may be deemed to have received income therefrom or be subject to a penalty tax or, in the case of a registered education savings plan, such plan may have its tax exempt status revoked.

*Capitalization and Commercial Viability*

Spinco3 may not have sufficient funds to carry out the completion of all proposed activities, and may have to obtain other financing or raise additional funds. Spinco3 has limited financial resources, and there is no assurance that additional funding will be available to Spinco3 to carry out the completion of all proposed activities. There can be no assurance that Spinco3 will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of its business plan.

*Limited Business History*

Spinco3 has only recently been incorporated and has no history of operations or operating earnings. The likelihood of success of Spinco3 must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. Spinco3 has limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that Spinco3 can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

*Payment of Dividends Unlikely*

There is no assurance that Spinco3 will pay dividends on the Spinco3 Shares in the foreseeable future, or at all.

### *Reliance on Management*

The success of Spinco3 is dependent upon the ability, expertise, judgement, discretion and good faith of its senior management. Any loss of the services of such individuals could have a material adverse effect on Spinco3's business, operating results or financial condition.

### *Competition*

There is potential that Spinco3 will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than Spinco3. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of Spinco3.

### *Operating Risk and Insurance Coverage*

Spinco3 does not have insurance to protect its assets, operations and employees. Spinco3 may acquire insurance in the future to protect against certain risks in such amounts as it considers reasonable. However, any insurance coverage obtained by Spinco3 may not be adequate to cover any resulting liability. Spinco3 may also be unable to maintain insurance to cover certain risks at economically feasible premiums. If Spinco3 were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Spinco3 were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

### *Management of Growth*

Spinco3 may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Spinco3 to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Spinco3 to deal with this growth may have a material adverse effect on Spinco3's business, financial condition, results of operations and prospects.

### *Conflicts of Interest*

Certain of the directors and officers of Spinco3 are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of Spinco3 and as officers and directors of such other companies.

### *Litigation*

Spinco3 may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Spinco3 becomes involved be determined against Spinco3 such a decision could adversely affect Spinco3's ability to continue operating and the market price for the Spinco3 Shares and could use significant resources. Even if Spinco3 is involved in litigation and wins, litigation can redirect significant company resources.

## INFORMATION CONCERNING SPINCO4

### **Name, Address and Incorporation**

Spinco4 was incorporated as “1024250 B.C. Ltd.” pursuant to the BCBCA on January 8, 2015. Spinco4 is currently a private company and a wholly-owned subsidiary of Matica. Spinco4’s head office is located at 44 Victoria Street, Suite 1102 Toronto, Ontario M5C 1Y2 and its registered and records office is located at 2600 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

Upon completion of the Arrangement, Spinco4 will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. After the Effective Date, Spinco4 will have no assets other than Bellerosa JV Agreement and cash transferred to it pursuant to the Arrangement. See “*Description of Business of Spinco*” below.

### **Description of Business of Spinco4**

Spinco4 currently has no assets and is a recently incorporated entity, incorporated solely for the purpose of this Arrangement.

On completion of the Arrangement, Spinco4 will commence its business as a medical marijuana company. The objectives of Spinco4’s management will be to raise equity funds to pursue the Bellerosa JV. Spinco4 will also evaluate and may acquire additional assets from time to time.

#### *Bellerosa JV Agreement*

On July 15, 2014, Matica entered into a letter of intent with Bellerosa to form a joint venture for the exclusive marketing of the full range of GlobalEx effervescent Chlorine Dioxide tablets for use in the Canadian and US horticultural and agricultural industries.

On August 26, 2014, Matica entered into the Bellerosa JV Agreement pursuant to the letter of intent between Bellerosa and Matica.

On October 15, 2014, Matica moved to an alternative supplier of chlorine dioxide tablets and terminated its association with the GlobalEx brand.

On December 9, 2014, Matica and Bellerosa amended the terms of the Bellerosa JV. Matica, through the Bellerosa JV, intends to distribute and market Chlorine Dioxide tablets to the medical marijuana industry for the elimination of mould, biofilm, and pests in controlled growing facilities therefore eliminating the need for harmful pesticides that are restricted by Health Canada. Under the terms of the Bellerosa JV Agreement, as amended, Matica has an option to acquire a 60% interest in the Bellerosa JV by issuing 4,000,000 Matica Shares to Bellerosa. On December 15, 2014 Matica issued 4,000,000 Matica Shares valued at \$0.105 per share to Bellerosa pursuant to the Bellerosa JV Agreement and acquired a 60% interest in the Bellerosa JV.

#### *Business of Bellerosa JV*

The main business of the Bellerosa JV will be the marketing and distribution, in Canada and the US, of Chlorine Dioxide Tablets to the agricultural and horticultural sectors and to the medical marijuana industry in particular. The Bellerosa JV will be in the form of an incorporated company.

Through the joint venture with Bellerosa, Spinco4 will test the Chlorine Dioxide Tablets for use in the medical marijuana industry, as well as the horticultural and agricultural sectors, as a natural cleaning and sanitizing agent. Spinco4 anticipates that the use of the Chlorine Dioxide Tablets should eliminate the need for pesticides and fungicides not only to the medical marijuana industry, but across a wide range of fields as well. Spinco4 will test the products and develop a cleaning and sanitizing regime for use by licensed growers. If such tests are successful, Spinco4 will distribute and market chlorine dioxide tablets to the medical marijuana industry for the elimination of

mould, biofilm and pests in controlled growing facilities, eliminating the need for harmful or Health Canada restricted pesticides.

### **Selected Unaudited Pro-Forma Financial Information of Spinco4**

Spinco4 was incorporated on January 8, 2015. Spinco4 has not yet conducted any commercial operations. The following is a summary of certain financial information on a pro-forma basis for Spinco4 as at September 30, 2014, assuming completion of the Arrangement as of such date, and should be read in conjunction with the unaudited pro-forma balance sheet of Spinco4 appended to this Circular as Schedule "F". This unaudited pro-forma balance sheet was prepared as if the Arrangement had occurred on September 30, 2014, taking into account the assumptions stated therein. The unaudited pro-forma balance sheet is not necessarily reflective of the financial position that would have resulted if the events described therein had occurred on September 30, 2014. In addition, the unaudited pro-forma balance sheet is not necessarily indicative of the financial position that may be attained in the future.

	<b>As of September 30, 2014 (unaudited)</b>	<b>Pro-forma as at September 30, 2014 on completion of the Arrangement (unaudited)</b>
Cash	\$Nil	\$20,000
Bellerosa JV <sup>(1)</sup>	\$Nil	\$458,000
<b>Total Assets</b>	<b>\$Nil</b>	<b>\$478,000</b>

Note:

(1) Fair market value cannot reasonably be determined as no value has been assigned to the Assets by Matica.

### **Available Funds and Principal Purposes for Use**

Upon the Effective Date, Spinco4 anticipates that it will have approximately \$20,000 in funds available, based on \$20,000 being transferred from Matica. Spinco4 intends to utilize the \$20,000 working capital from Matica to fund post-arrangement expenses and expenses associated with the Bellerosa JV.

### **Share Capital**

The authorized capital of Spinco4 consists of an unlimited number of Spinco4 Shares without par value. As of the date hereof, there is one Spinco4 Share issued and outstanding. After completion of the Arrangement, there will be 4,462,133 Spinco4 Shares issued and outstanding.

All Spinco4 Shares rank equally as to dividends, voting powers and participation in assets. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provision for redemption, purchase for cancellation, surrender or sinking funds. Provision as to modifications, amendments or variations of such rights or such provisions are contained in the Spinco4 articles and the BCBCA.

Pursuant to the Arrangement, one fifteenth of a Spinco4 Share will be issued for each Class 4 Reorganization Share acquired by Matica Shareholders in accordance with the Spinco4 Reorganization Ratio.

### **Options to Purchase Shares**

#### *Stock Options*

Spinco4 has not implemented an incentive stock option plan and does not have any incentive stock options outstanding at this time.



### *Convertible Securities*

The following convertible securities of Spinco4 will be outstanding as of the Effective Date:

Designation of Security	Date of Expiry	No. of Common Shares issuable upon exercise	Exercise Price
Spinco4 Commitment	Various	1,313,616	Various

### **Prior Sales**

The following table contains details of the prior sales of Spinco4 Shares within the 12 months prior to the date of hereof:

Date of Issue	Number of Spinco4 Shares	Price per Spinco4 Share
December 19, 2014	1 <sup>(1)</sup>	\$1.00

Note:

- (1) Issued to Matica on the date of incorporation of Spinco4. On or prior to the Effective Date, Spinco4 intends to repurchase and return the Spinco4 Share from Matica to treasury.

### **Principal Shareholders of Spinco4**

To the knowledge of the directors and executive officers of Spinco4, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Spinco4 Shares carrying more than 10% of the voting rights attached to all outstanding Spinco4 Shares.

### **Directors and Officers**

Upon completion of the Arrangement, the sole director of Spinco4 will be Boris Ziger and Spinco4 will have no officers. It is the intention of Spinco4 to seek out and retain individuals for the positions of executive officers and directors who have experience in the medical marijuana and horticultural industries.

Boris Ziger, Chief Executive Officer, Chairman and sole director of Spinco4, was appointed as Matica's Chief Executive Officer effective September 27, 2012. Mr. Ziger has over 20 years of experience in the capital markets and has been instrumental in the establishment and financing of junior companies. For the past ten years, Mr. Ziger has been involved largely in the resource sector and has worked closely with many companies holding both board and senior management positions.

Mr. Ziger has not entered into non-competition, non-solicitation or nondisclosure agreements with Spinco4.

### **Executive Compensation**

Spinco4 does not have an employment contract with Mr. Ziger pursuant to which Mr. Ziger will be compensated for his services as executive officers of Spinco4.

### **Indebtedness of Directors and Executive Officers of Spinco4**

No individual who is, or at any time from the date of Spinco4's incorporation to the date hereof was a director or executive officer of Spinco4, or an associate or affiliate of such an individual, is or has been indebted to Spinco4.

### **Corporate Cease Trade Orders or Bankruptcies**

No director, officer, promoter or other member of management of Spinco4 is, or within the ten years prior to the date of this Circular has been, a director, officer, promoter or other member of management of any other issuer that, while that person was acting in the capacity of a director, officer, promoter or other member of management of that issuer, was the subject of a cease trade order or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or appointed to hold the assets of that director, officer or promoter.

### **Penalties or Sanctions**

No director, officer, promoter or other member of management of Spinco4 has, during the ten years prior to the date of this Circular, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving fraud or theft.

### **Personal Bankruptcies**

No director, officer, promoter or other member of management of Spinco4 has, during the ten years prior to the date of this Circular, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **Conflicts of Interest**

The directors of Spinco4 are required by law to act honestly and in good faith with a view to the best interest of Spinco4 and to disclose any interests which they may have in any project or opportunity of Spinco4. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not Spinco4 will participate in any project or opportunity, that director will primarily consider the degree of risk to which Spinco4 may be exposed and its financial position at that time.

Except as disclosed in this Circular, to the best of Matica's knowledge, there are no known existing or potential conflicts of interest among Spinco4 and its promoters, directors, officers or other members of management as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

### **Auditors and Registrar and Transfer Agent**

Management and the board of directors of Spinco4 intend to select an auditor for Spinco4 after completion of the Arrangement.

It is expected that the registrar and transfer agent for Spinco4 will be Capital Transfer Agency.

### **Legal Proceedings**

Spinco4 is not party to any outstanding legal proceedings, nor are any such proceedings contemplated.

### **Material Contracts**

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by Spinco4 since its incorporation and which can be reasonably regarded as material to Spinco4 are as follows:

- (a) Arrangement Agreement; and
- (b) Bellerosa JV Agreement.

The material contracts described above may be inspected at the registered office of Spinco4 at 44 Victoria Street, Suite 1102 Toronto, Ontario M5C 1Y2, during normal business hours prior to the Meeting and for a period of thirty days thereafter.

### **Promoters of Spinco4**

Matica is the promoter of Spinco4.

### **Risk Factors**

In evaluating the Arrangement, Matica Shareholders should carefully consider the following risk factors relating to the Arrangement, Spinco4 and the business of Spinco4 following the Arrangement. The following risk factors are not a definitive list of all risk factors associated with the Arrangement, Spinco4 and the business of Spinco4 following the Arrangement. Additional risk and uncertainties, including those currently known or considered immaterial by Matica and/or Spinco4, may also adversely affect the Matica Shares, the Reorganization Shares, the Spinco Shares and/or the business of Matica or the Spincos following the Arrangement.

*There can be no certainty that all conditions precedent to the Arrangement will be satisfied.*

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Spinco4, including receipt of the Final Order. There can be no certainty, nor can Spinco4 provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

*The Spinco Shares may not be qualified investments under the ITA for a Registered Plan*

An application for listing of the Spinco Shares on a designated stock exchange will not be made on the Effective Date. There is no assurance when, or if, the Spinco Shares will be listed on the Canadian Securities Exchange or any other designated stock exchange. If the Spinco Shares are not listed on a designated stock exchange in Canada before the Due Date for the Spincos' first income tax return or if the Spincos do not otherwise satisfy the conditions in the ITA to be a "public corporation", the Spinco Shares will not be considered to be a qualified investment for a Registered Plan from their date of issue. Where a Registered Plan acquires a Spinco Share in circumstances where the Spinco Share is not a qualified investment under the ITA for the Registered Plan, adverse tax consequences may arise for the Registered Plan and the annuitant, beneficiary or holder under the Registered Plan, including that the Registered Plan may become subject to penalty taxes, the annuitant of such Registered Plan may be deemed to have received income therefrom or be subject to a penalty tax or, in the case of a registered education savings plan, such plan may have its tax exempt status revoked.

### *Capitalization and Commercial Viability*

Spinco4 may not have sufficient funds to carry out the completion of all proposed activities, and may have to obtain other financing or raise additional funds. Spinco4 has limited financial resources, and there is no assurance that additional funding will be available to Spinco4 to carry out the completion of all proposed activities. There can be no assurance that Spinco4 will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of its business plan.

### *Limited Business History*

Spinco4 has only recently been incorporated and has no history of operations or operating earnings. The likelihood of success of Spinco4 must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. Spinco4 has limited financial resources

and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that Spinco4 can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

#### *Payment of Dividends Unlikely*

There is no assurance that Spinco4 will pay dividends on the Spinco4 Shares in the foreseeable future, or at all.

#### *Reliance on Management*

The success of Spinco4 is dependent upon the ability, expertise, judgement, discretion and good faith of its senior management. Any loss of the services of such individuals could have a material adverse effect on Spinco4's business, operating results or financial condition.

#### *Competition*

There is potential that Spinco4 will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than Spinco4. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of Spinco4.

#### *Operating Risk and Insurance Coverage*

Spinco4 does not have insurance to protect its assets, operations and employees. Spinco4 may acquire insurance in the future to protect against certain risks in such amounts as it considers reasonable. However, any insurance coverage obtained by Spinco4 may not be adequate to cover any resulting liability. Spinco4 may also be unable to maintain insurance to cover certain risks at economically feasible premiums. If Spinco4 were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Spinco4 were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

#### *Management of Growth*

Spinco4 may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Spinco4 to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Spinco4 to deal with this growth may have a material adverse effect on Spinco4's business, financial condition, results of operations and prospects.

#### *Conflicts of Interest*

Certain of the directors and officers of Spinco4 are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of Spinco4 and as officers and directors of such other companies.

#### *Litigation*

Spinco4 may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Spinco4 becomes involved be determined against Spinco4 such a decision could adversely affect Spinco4's ability to continue operating and the market price for the Spinco3 Shares and could use significant resources. Even if Spinco4 is involved in litigation and wins, litigation can redirect significant company resources.

## Risks Related to Chlorine Dioxide Tablets

### *Unproven Technology*

The application of chlorine dioxide tablets in the medical marijuana industry has not yet been proven. Spinco4's success will depend on its ability to develop the technology for use in the medical marijuana industry. No assurances can be made that Spinco4's products or technologies will gain market acceptance. No assurances can be made that Spinco4 will succeed in marketing any newly developed product or technology. Spinco4's failure to respond to any risks associated with this industry, including those described herein, may reduce Spinco4's future growth and profitability and may adversely affect Spinco4's financial results and condition.

### *Product Liability*

As a potential manufacturer and distributor of products designed to aid in the production of products to be ingested by humans, Spinco4 will face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of Spinco4's products will involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Spinco4 may be subject to various product liability claims, including, among others, that Spinco4's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Spinco4 could result in increased costs, could adversely affect the reputation of Spinco4 with its clients generally, and could have a material adverse effect on our results of operations and financial condition of Spinco4. There can be no assurances that Spinco4 will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Spinco4's potential products.

**APPROVAL OF DIRECTORS**

The contents and sending of this Circular, including the Notice of Meeting, have been approved and authorized by the Matica Board.

January 26, 2015

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Boris Ziger

Boris Ziger  
Chief Executive Officer and Director

## **SCHEDULE “A”**

### **MATICA ENTERPRISES INC.**

#### **ARRANGEMENT RESOLUTION**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement pursuant to section 288 of the Business Corporations Act (British Columbia) (the “**Act**”), involving Matica Enterprises Inc. (the “**Company**”), its holders of common shares (collectively, the “**Company Shareholders**”), Ravenline Exploration Ltd. (“**Spinco1**”), 1022607 B.C. Ltd. (“**Spinco2**”), 1022608 B.C. Ltd. (“**Spinco3**”) and 1024250 B.C. Ltd. (“**Spinco4**”, and together with Spinco1, Spinco2 and Spinco3, the “**Spincos**”) (collectively, the “**Arrangement**”), all as more particularly set forth in the plan of arrangement (the “**Plan of Arrangement**”) attached as Schedule “B” to the Management Information Circular of the Company dated January 26, 2015 (the “**Circular**”) accompanying the notice of this meeting is hereby authorized and approved.
2. The entering into, delivery and performance by the Company of the Arrangement Agreement between the Company and the Spincos dated January 26, 2015 (the “**Arrangement Agreement**”), as more particularly described in the Circular, is hereby ratified, confirmed and approved.
3. Notwithstanding the approval of this special resolution or the approval of the Arrangement by the Supreme Court of British Columbia, the board of directors of the Company (i) is hereby authorized in its sole discretion, without further notice to or approval of the Company Shareholders but subject to the terms of the Arrangement Agreement to amend or terminate the Arrangement Agreement at any time prior to the Arrangement becoming effective; and (ii) is hereby authorized, in its sole discretion, without further notice to or approval of the Company Shareholders, to amend the Plan of Arrangement to the extent permitted thereby and to not proceed with the Arrangement at any time prior to the Arrangement becoming effective.
4. Any one director or officer of the Company is hereby authorized and directed for and in the name of and on behalf of the Company to do all acts and things and to execute, whether under the corporate seal of the Company or otherwise, and to deliver or cause to be delivered, all documents and instruments and to do all such acts and things as in the opinion of such director or officer may be necessary or desirable to carry out the intent of this special resolution.

## SCHEDULE “B”

### PLAN OF ARRANGEMENT UNDER SECTION 288 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

#### ARTICLE 1 INTERPRETATION

##### 1.1 Definitions

In this Arrangement, unless there is something in the subject matter or context inconsistent therewith:

- (a) “**Arrangement**” means the arrangement proposed under the provisions of section 288 of the BCA on the terms set out in this Plan of Arrangement;
- (b) “**Arrangement Agreement**” means the agreement, dated as of January 26, 2015 among Matica and the Spinco’s to which this Plan of Arrangement is attached as Exhibit 1, as the same may be amended from time to time;
- (c) “**Assets**” means the Spinco1 Assets, the Spinco2 Assets, the Spinco3 Assets and the Spinco4 Assets;
- (d) “**BCA**” means the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended, including the regulations promulgated thereunder;
- (e) “**Circular**” means the definitive form, together with any amendments thereto, of the management information circular of Matica to be prepared and sent to Shareholders in connection with the Meeting;
- (f) “**Class 1 Reorganization Ratio**” means the percentage resulting from the division of 22,310,666, as numerator, by the number of Class 1 Reorganization Shares issued on the Effective Date, as denominator;
- (g) “**Class 1 Reorganization Shares**” means the shares without par value in the capital of Matica to be issued as part of the Arrangement;
- (h) “**Class 2 Reorganization Ratio**” means the percentage resulting from the division of 4,462,133, as numerator, by the number of Class 2 Reorganization Shares issued on the Effective Date, as denominator;
- (i) “**Class 2 Reorganization Shares**” means the shares without par value in the capital of Matica to be issued as part of the Arrangement;



- (j) “**Class 3 Reorganization Ratio**” means the percentage resulting from the division of 892,426, as numerator, by the number of Class 3 Reorganization Shares issued on the Effective Date, as denominator;
- (k) “**Class 3 Reorganization Shares**” means the shares without par value in the capital of Matica to be issued as part of the Arrangement;
- (l) “**Class 4 Reorganization Ratio**” means the percentage resulting from the division of 4,462,133, as numerator, by the number of Class 4 Reorganization Shares issued on the Effective Date, as denominator;
- (m) “**Class 4 Reorganization Shares**” means the shares without par value in the capital of Matica to be issued as part of the Arrangement;
- (n) “**Common Shares**” means the common shares without par value in the capital of Matica;
- (o) “**Court**” means the Supreme Court of British Columbia;
- (p) “**Director**” means the Director appointed under section 260 of the BCA;
- (q) “**Effective Date**” means the date the Plan of Arrangement becomes effective;
- (r) “**Exchange**” means Canadian Securities Exchange;
- (s) “**Final Order**” means the final order of the Court approving the Arrangement;
- (t) “**holder**”, when not qualified by the adjective “**registered**”, means the person entitled to a share hereunder whether or not registered or entitled to be registered in respect thereof in the register of Shareholders of Matica or Spinco, as the case may be;
- (u) “**Interim Order**” means the interim order to be obtained from the Court, providing for a special meeting of the Common Shareholders to consider and approve the Arrangement and for certain other procedural matters as well as for the issue of a notice of hearing for the Final Order;
- (v) “**ITA**” means the *Income Tax Act* (Canada), as amended, and the regulations thereunder;
- (w) “**Matica**” means Matica Enterprises Inc.;
- (x) “**Meeting**” means the annual and special general meeting of Shareholders to be held on March 10, 2015 and any adjournment thereof to consider, among other matters, the Arrangement;
- (y) “**New Common Shares**” means the new common shares without par value in the capital of Matica to be issued as part of the Arrangement;

- (z) **“PUC”** means “paid-up capital” as defined in subsection 89(1) of the ITA;
- (aa) **“Plan of Arrangement”** means this plan of arrangement, as it may be amended from time to time in accordance with section 5.1 of the Arrangement Agreement;
- (bb) **“Shareholders”** means holders of Common Shares;
- (cc) **“Share Distribution Record Date”** means the close of business on January 15, 2015;
- (dd) **“Spinco1”** means Ravenline Exploration Ltd., a private company incorporated under the *Business Corporations Act* (Ontario);
- (ee) **“Spinco1 Assets”** means the assets of Matica to be transferred to Spinco1 pursuant to the Arrangement, as more particularly described in Schedule B attached hereto and forming part of this Plan of Arrangement;
- (ff) **“Spinco1 Common Shares”** means the common shares without par value in the capital of Spinco1;
- (gg) **“Spinco2”** means 1022607 B.C. Ltd., a private company incorporated under the BCBCA;
- (hh) **“Spinco2 Assets”** means the assets of Matica to be transferred to Spinco2 pursuant to the Arrangement, as more particularly described in Schedule B attached hereto and forming part of this Plan of Arrangement;
- (ii) **“Spinco2 Common Shares”** means the common shares without par value in the capital of Spinco2;
- (jj) **“Spinco3”** means 1022608 B.C. Ltd., a private company incorporated under the BCBCA;
- (kk) **“Spinco3 Assets”** means the assets of Matica to be transferred to Spinco3 pursuant to the Arrangement, as more particularly described in Schedule B attached hereto and forming part of this Plan of Arrangement;
- (ll) **“Spinco3 Common Shares”** means the common shares without par value in the capital of Spinco3;
- (mm) **“Spinco4”** means 1024250 B.C. Ltd., a private company incorporated under the BCBCA;
- (nn) **“Spinco4 Assets”** means the assets of Matica to be transferred to Spinco4 pursuant to the Arrangement, as more particularly described in Schedule B attached hereto and forming part of this Plan of Arrangement;

- (oo) **“Spinco4 Common Shares”** means the common shares without par value in the capital of Spinco4;
- (pp) **“Spincos”** means collectively Spinco1, Spinco2, Spinco3, and Spinco4; and
- (qq) **“Transfer Agent”** mean Capital Transfer Agency Inc., or such other transfer agent as may be appointed by the Spincos.

## **1.2 Interpretation Not Affected by Headings, etc.**

The division of this Plan of Arrangement into articles, sections and subsections is for convenience of reference only and does not affect the construction or interpretation of this Plan of Arrangement. The terms “this Plan of Arrangement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Plan of Arrangement (including the Schedules) and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

## **1.3 Number, etc.**

Words importing the singular number include the plural and vice versa, words importing the use of any gender include all genders, and words importing persons include firms and companies and vice versa.

## **1.4 Currency**

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada.

# **ARTICLE 2 ARRANGEMENT AGREEMENT**

2.1 This Plan of Arrangement is made pursuant and subject to the provisions of, and forms part of, the Arrangement Agreement.

# **ARTICLE 3 SUMMARY OF THE ARRANGEMENT**

3.1 This Arrangement is being effected as an arrangement pursuant to Section 288 of the BCA.

3.2 Each Common Share issued and outstanding on the Share Distribution Record Date, except for Common Shares held by dissenting Shareholders, will be exchanged for one New Common Share and one Class 1 Reorganization Share, one Class 2 Reorganization Share, one Class 3 Reorganization Share, and one Class 4 Reorganization Share. Common Shares issued or traded after the Share Distribution Record Date and prior to the Effective Date shall represent New Common Shares, and shall not carry any right to receive Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares.

3.3 All Shareholders on the Effective Date, except for dissenting holders of Common Shares, will receive one New Common Share. All Shareholders on the Share Distribution Record Date, except for dissenting holders of Common Shares, will receive one Class 1 Reorganization Share, one Class 2 Reorganization Share, one Class 3 Reorganization Share, and one Class 4 Reorganization Share.

3.4 All Class 1 Reorganization Shares will be sold and transferred to Spinco1 for consideration consisting solely of such number of Spinco1 Common Shares equal to the number of all Class 1 Reorganization Shares multiplied by the Class 1 Reorganization Ratio. All Class 2 Reorganization Shares will be sold and transferred to Spinco2 for consideration consisting solely of such number of Spinco2 Common Shares equal to the number of all Class 2 Reorganization Shares multiplied by the Class 2 Reorganization Ratio. All Class 3 Reorganization Shares will be sold and transferred to Spinco3 for consideration consisting solely of such number of Spinco3 Common Shares equal to the number of all Class 3 Reorganization Shares multiplied by the Class 3 Reorganization Ratio. All Class 4 Reorganization Shares will be sold and transferred to Spinco4 for consideration consisting solely of such number of Spinco4 Common Shares equal to the number of all Class 4 Reorganization Shares multiplied by the Class 4 Reorganization Ratio.

3.5 All of the Class 1 Reorganization Shares owned by Spinco1 will be redeemed for their aggregate redemption value and such redemption value will be satisfied in full by the deemed transfer by Matica to Spinco1 of the Spinco1 Assets, and the Class 1 Reorganization Shares will be cancelled. All of the Class 2 Reorganization Shares owned by Spinco2 will be redeemed for their aggregate redemption value and such redemption value will be satisfied in full by the transfer by Matica to Spinco2 of the Spinco2 Assets, and the Class 2 Reorganization Shares will be cancelled. All of the Class 3 Reorganization Shares owned by Spinco3 will be redeemed for their aggregate redemption value and such redemption value will be satisfied in full by the transfer by Matica to Spinco3 of the Spinco3 Assets, and the Class 3 Reorganization Shares will be cancelled. All of the Class 4 Reorganization Shares owned by Spinco4 will be redeemed for their aggregate redemption value and such redemption value will be satisfied in full by the transfer by Matica to Spinco4 of the Spinco4 Assets, and the Class 4 Reorganization Shares will be cancelled.

3.6 Shareholders may dissent in relation to the resolution to approve the Arrangement pursuant to the provisions of the Interim Order and sections 237 to 247 of the BCA.

3.7 The following will all occur on the Effective Date, in the order set out herein:

- (a) the exchange of Common Shares on the Effective Date for New Common Shares and Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares, and Class 4 Reorganization Shares, as set out in Section 3.2;
- (b) the distribution of New Common Shares to all Shareholders on the Effective Date and the distribution of Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares, and Class 4 Reorganization Shares to Shareholders on the Share Distribution Record Date, as set out in Section 3.3;

- (c) the sale and transfer of the Class 1 Reorganization Shares to Spinco1 in consideration of the issuance of Spinco1 Common Shares and the redemption of the Class 1 Reorganization Shares and the transfer of the Spinco1 Assets to Spinco1;
- (d) the sale and transfer of the Class 2 Reorganization Shares to Spinco2 in consideration of the issuance of Spinco2 Common Shares and the redemption of the Class 2 Reorganization Shares and the transfer of the Spinco2 Assets to Spinco2;
- (e) the sale and transfer of the Class 3 Reorganization Shares to Spinco3 in consideration of the issuance of Spinco3 Common Shares and the redemption of the Class 3 Reorganization Shares and the transfer of the Spinco3 Assets to Spinco3; and
- (f) the sale and transfer of the Class 4 Reorganization Shares to Spinco4 in consideration of the issuance of Spinco4 Common Shares and the redemption of the Class 4 Reorganization Shares and the transfer of the Spinco4 Assets to Spinco4.

#### **ARTICLE 4 ARRANGEMENT**

4.1 On the Effective Date, the following will occur and be deemed to occur in the following order without further act or formality notwithstanding anything contained in the provisions attaching to any of the securities of Matica or of the Spincos, but subject to the provisions of Article 5:

- (a) The articles of Matica will be amended to authorize Matica to issue an unlimited number of Common Shares (to be re-designated as “**Pre-arrangement common shares**” in the amended articles), an unlimited number of New Common Shares (to be designated as “**Common shares**” in the amended articles), an unlimited number of Class 1 Reorganization Shares (to be designated as “**Class 1 Reorganization Shares**” in the amended articles), an unlimited number of Class 2 Reorganization Shares (to be designated as “**Class 2 Reorganization Shares**” in the amended articles), an unlimited number of Class 3 Reorganization Shares (to be designated as “**Class 3 Reorganization Shares**” in the amended articles) and an unlimited number of Class 4 Reorganization Shares (to be designated as “**Class 4 Reorganization Shares**” in the amended articles).
- (b) Each issued and outstanding Common Share on the Share Distribution Record Date, except those referred to in section 5.1, will be exchanged for one New Common Share and one Class 1 Reorganization Share, one Class 2 Reorganization Share, one Class 3 Reorganization Share and Class 4 Reorganization Share. In connection with such exchange:
  - (i) The issue price for each Class 1 Reorganization Share will be an amount equal to the fair market value, as determined by the directors, of one Class

1 Reorganization Share immediately following the exchange provided for in this subsection. The issue price for each Class 2 Reorganization Share will be an amount equal to the fair market value, as determined by the directors, of one Class 2 Reorganization Share immediately following the exchange provided for in this subsection. The issue price for each Class 3 Reorganization Share will be an amount equal to the fair market value, as determined by the directors, of one Class 3 Reorganization Share immediately following the exchange provided for in this subsection. The issue price for each Class 4 Reorganization Share will be an amount equal to the fair market value, as determined by the directors, of one Class 4 Reorganization Share immediately following the exchange provided for in this subsection.

- (ii) Matica will add to the stated capital account maintained by it for the Class 1 Reorganization Shares the lesser of the issue price thereof and \$518,571. Matica will add to the stated capital account maintained by it for the Class 2 Reorganization Shares the lesser of the issue price thereof and \$20,000. Matica will add to the stated capital account maintained by it for the Class 3 Reorganization Shares the lesser of the issue price thereof and \$20,000. Matica will add to the stated capital account maintained by it for the Class 4 Reorganization Shares the lesser of the issue price thereof and \$478,000.
- (iii) The issue price for each New Common Share will be an amount equal to the difference between (i) the fair market value for the Common Share for which it was, in part, exchanged immediately prior thereto and (ii) the amount determined in section 4.1(b)(i) hereof.
- (iv) Matica will add to the stated capital account maintained by it for the New Common Shares an amount equal to the amount by which the PUC of the Common Shares, immediately before the exchange, exceeds the stated capital account of the Class 1 Reorganization Shares, the Class 2 Reorganization Shares, Class 3 Reorganization Shares and the Class 4 Reorganization Shares, as determined above.
- (v) The amounts to be added to the stated capital accounts maintained by Matica for the New Common Shares and Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares shall, notwithstanding paragraph 4.1(b)(ii) above, not exceed the PUC of the Common Shares at the time of the exchange.
- (vi) Each Shareholder will cease to be the holder of the Common Shares so exchanged.
  - (A) Shareholders on the Effective Date will become the holder of New Common Shares issued to such Shareholder. The name of such Shareholder will be removed from the register of holders of Common Shares with respect to the Common Shares so exchanged

and will be added to the registers of the holders of New Common Shares.

(B) Shareholders on the Share Distribution Record Date will become the holder of Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares issued to such Shareholder. The name of such Shareholder will be removed from the register of holders of Common Shares on the Share Distribution Record Date with respect to the Common Shares so exchanged and will be added to the registers of the holders of Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization, so issued to such Shareholder.

(vii) Common Shares issued or traded after the Share Distribution Record Date and prior to the Effective Date shall represent New Common Shares, and shall not carry any right to receive Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares.

4.2 No share certificate representing the Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares issued pursuant to 4.1(b)(i) will be issued. The New Common Shares to be issued pursuant to paragraph 4.1(b)(iii) will be evidenced by the existing share certificates representing the Common Shares which will be deemed for all purposes thereafter to be certificates representing New Common Shares to which such holder is entitled pursuant to the Arrangement, and no share certificates representing such New Common Shares will be issued to such holders.

4.3 The Common Shares exchanged for New Common Shares and Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares pursuant to section 4.2 will be cancelled.

4.4 Each Shareholder on the Share Distribution Record Date will sell and transfer all of its Class 1 Reorganization Shares, for consideration consisting solely of such number of Spinco1 Common Shares equal to the number of all Class 1 Reorganization Shares so transferred multiplied by the Class 1 Reorganization Ratio. In connection with such sale and transfer:

- (a) The issue price for each Spinco1 Common Share will be an amount equal to the fair market value of the fractional Class 1 Reorganization Share for which it was issued as consideration.
- (b) Each holder of Class 1 Reorganization Shares so sold will cease to be the holder of the Class 1 Reorganization Shares so sold and transferred and will become the holder of Spinco1 Common Shares issued to such holder. The name of such holder will be removed from the register of holders of Class 1 Reorganization Shares with respect to the Class 1 Reorganization Shares so sold and transferred and will be added to the register of holders of Spinco1 Common Shares as the

holder of the number of Spinco1 Common Shares so issued to such holder, and Spinco1 will be and will be deemed to be the transferee of Class 1 Reorganization Shares so transferred and the name of Spinco1 will be entered in the register of holders of Class 1 Reorganization Shares as the holder of the number of Class 1 Reorganization Shares so sold and transferred to Spinco1.

4.5 All of the Class 1 Reorganization Shares owned by Spinco1 will be redeemed for their aggregate redemption value and such redemption value will be satisfied in full by the deemed transfer by Matica to Spinco1 of the Spinco1 Assets and the Class 1 Reorganization Shares will be cancelled. Promptly following the Effective Date, Matica shall deliver to Spinco1 duly executed recordable transfers together with such supporting documents, if any, as required to record and effect the transfer of the Spinco1 Assets from Matica to Spinco1 at all such places of record as may be appropriate or desirable to effect the legal transfer of the Spinco1 Assets, it being understood that such transfer of legal interest to the Spinco1 Assets will be for administrative convenience only, and that a beneficial interest in the Spinco1 Assets will pass from Matica to Spinco1 on the Effective Date.

4.6 Each Shareholder on the Share Distribution Record Date will sell and transfer all of its Class 2 Reorganization Shares, for consideration consisting solely of such number of Spinco2 Common Shares equal to the number of all Class 2 Reorganization Shares so transferred multiplied by the Class 2 Reorganization Ratio. In connection with such sale and transfer:

- (a) The issue price for each Spinco2 Common Share will be an amount equal to the fair market value of the fractional Class 2 Reorganization Share for which it was issued as consideration.
- (b) Each holder of Class 2 Reorganization Shares so sold will cease to be the holder of the Class 2 Reorganization Shares so sold and transferred and will become the holder of Spinco2 Common Shares issued to such holder. The name of such holder will be removed from the register of holders of Class 2 Reorganization Shares with respect to the Class 2 Reorganization Shares so sold and transferred and will be added to the register of holders of Spinco2 Common Shares as the holder of the number of Spinco2 Common Shares so issued to such holder, and Spinco1 will be and will be deemed to be the transferee of Class 2 Reorganization Shares so transferred and the name of Spinco2 will be entered in the register of holders of Class 2 Reorganization Shares as the holder of the number of Class 2 Reorganization Shares so sold and transferred to Spinco2.

4.7 All of the Class 2 Reorganization Shares owned by Spinco2 will be redeemed for their aggregate redemption value and such redemption value will be satisfied in full by the transfer by Matica to Spinco2 of the Spinco2 Assets and the Class 2 Reorganization Shares will be cancelled.

4.8 Each Shareholder on the Share Distribution Record Date will sell and transfer all of its Class 3 Reorganization Shares, for consideration consisting solely of such number of Spinco3 Common Shares equal to the number of all Class 3 Reorganization Shares so transferred multiplied by the Class 3 Reorganization Ratio. In connection with such sale and transfer:



- (a) The issue price for each Spinco3 Common Share will be an amount equal to the fair market value of the fractional Class 3 Reorganization Share for which it was issued as consideration.
- (b) Each holder of Class 3 Reorganization Shares so sold will cease to be the holder of the Class 3 Reorganization Shares so sold and transferred and will become the holder of Spinco3 Common Shares issued to such holder. The name of such holder will be removed from the register of holders of Class 3 Reorganization Shares with respect to the Class 3 Reorganization Shares so sold and transferred and will be added to the register of holders of Spinco3 Common Shares as the holder of the number of Spinco3 Common Shares so issued to such holder, and Spinco3 will be and will be deemed to be the transferee of Class 3 Reorganization Shares so transferred and the name of Spinco3 will be entered in the register of holders of Class 3 Reorganization Shares as the holder of the number of Class 3 Reorganization Shares so sold and transferred to Spinco3.

4.9 All of the Class 3 Reorganization Shares owned by Spinco3 will be redeemed for their aggregate redemption value and such redemption value will be satisfied in full by the transfer by Matica to Spinco3 of the Spinco3 Assets and the Class 3 Reorganization Shares will be cancelled.

4.10 Each Shareholder on the Share Distribution Record Date will sell and transfer all of its Class 4 Reorganization Shares, for consideration consisting solely of such number of Spinco4 Common Shares equal to the number of all Class 4 Reorganization Shares so transferred multiplied by the Class 4 Reorganization Ratio. In connection with such sale and transfer:

- (a) The issue price for each Spinco4 Common Share will be an amount equal to the fair market value of the fractional Class 4 Reorganization Share for which it was issued as consideration.
- (b) Each holder of Class 4 Reorganization Shares so sold will cease to be the holder of the Class 4 Reorganization Shares so sold and transferred and will become the holder of Spinco4 Common Shares issued to such holder. The name of such holder will be removed from the register of holders of Class 4 Reorganization Shares with respect to the Class 4 Reorganization Shares so sold and transferred and will be added to the register of holders of Spinco4 Common Shares as the holder of the number of Spinco4 Common Shares so issued to such holder, and Spinco4 will be and will be deemed to be the transferee of Class 4 Reorganization Shares so transferred and the name of Spinco1 will be entered in the register of holders of Class 4 Reorganization Shares as the holder of the number of Class 4 Reorganization Shares so sold and transferred to Spinco4.

4.11 All of the Class 4 Reorganization Shares owned by Spinco4 will be redeemed for their aggregate redemption value and such redemption value will be satisfied in full by the transfer by Matica to Spinco4 of the Spinco4 Assets and the Class 4 Reorganization Shares will be cancelled.

## **ARTICLE 5 RIGHT TO DISSENT**

5.1 A Shareholder may exercise dissent rights ("Dissent Rights") conferred by the Interim Order in connection with the Arrangement in the manner set out in Section 238 of the BCA, as modified by the Interim Order, provided the Notice of Dissent is received by the Company by no later than 10:00 a.m. (Toronto time) on March 6, 2015. Without limiting the generality of the foregoing, Shareholders who duly exercise such Dissent Rights will be deemed to have transferred such Common Shares, as of the Effective Date, without any further act or formality, to the Company in consideration of their entitlement to be paid the fair value of the Common Shares under the Dissent Rights.

## **ARTICLE 6 CERTIFICATES**

6.1 As soon as practicable after the Effective Date, each of the Spincos will cause the Transfer Agent to deliver share certificates representing in the aggregate the Spinco1 Common Shares, Spinco2 Common Shares, Spinco3 Common Shares and Spinco 4 Common Shares to Shareholders entitled to receive such shares pursuant to this Plan of Arrangement.

6.2 Any certificate which any person is entitled to receive in accordance with this Plan of Arrangement will (unless the Transfer Agent has received instructions to the contrary from or on behalf of such person prior to the Effective Date) be forwarded by first class mail, postage prepaid, or in the case of postal disruption in Canada, by such other means as the Transfer Agent may deem prudent.

**SCHEDULE “B”**

**TO THE ARRANGEMENT AGREEMENT**

**ASSETS TO BE TRANSFERRED TO THE SPINCOS**

<b>Spinco</b>	<b>Assets</b>
Spinco1	\$20,000 in working capital and Matica’s interest in the: (i) option agreement dated July 26, 2013 with JP & Associates Inc. in respect of the Maniwaki West property; (ii) option agreement dated September 20, 2013 with JP & Associates Inc. and Alexander Johnston in respect of the Buckingham North property; (iii) option agreement dated November 12, 2013 in respect of an additional property adjacent to the Buckingham North property; and (iv) property option and royalty agreement with Gold Exploration Management Services Inc. in respect of Grumpy Lizard property
Spinco2	\$20,000 in working capital and Matica’s interest in the letter of intent dated December 17, 2014 with 2426702 Ontario Inc.
Spinco3	\$20,000 in working capital and Matica’s interest the letter of intent dated December 23, 2014 with Ludwig Industrial Solutions Limited
Spinco4	\$20,000 in working capital and Matica’s interest in the joint venture agreement dated August 25, 2014 with Bellerosa Distributing Ltd.

**SCHEDULE “C”**

**INTERIM ORDER**

IN THE SUPREME COURT OF BRITISH COLUMBIA

MATICA ENTERPRISES INC.

PETITIONER

RE: IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING MATICA ENTERPRISES INC., ITS SHAREHOLDERS, RAVENLINE EXPLORATION LTD., 1022607 B.C. LTD., 1022608 B.C. LTD. AND 1024250 B.C. LTD. PURSUANT TO SECTIONS 288 to 299 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA), S.B.C. 2002, c. 57, AS AMENDED

ORDER MADE AFTER APPLICATION

BEFORE ) ) FRIDAY, THE  
 ) MASTER \* CALDWELL ) 30TH DAY OF  
 ) ) JANUARY, 2015

ON THE APPLICATION of the Petitioner, MATICA ENTERPRISES INC.

- ☒ without notice, coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on Friday, the 30th day of January, 2015 and on hearing counsel for the Petitioner, Leah Shepherd;

THIS COURT ORDERS that:

1. The Petitioner, MATICA ENTERPRISES INC. (the "Petitioner" or "Matica"), be permitted to convene, hold and conduct a special meeting of its shareholders (the "Matica Shareholders") to be held at 10:00 a.m. (Toronto Time) on Tuesday, March 10, 2015 at 44 Victoria Street, Suite 1102, Toronto, Ontario, M5C 1Y2 (the "Special Meeting") to consider and, if deemed advisable, pass with or without amendment, a special resolution (the "Arrangement Resolution"), authorizing, approving and agreeing to adopt a plan of arrangement (the "Plan of Arrangement") among the Petitioner and the Matica Securityholders (the "Arrangement") as described in the Plan of Arrangement attached as part of Exhibit "A" to the Affidavit #1 of Boris Ziger, sworn on January 28, 2015 (the "Ziger Affidavit #1") and to transact such other business as may properly come before the Special Meeting.

2. The Special Meeting shall be called, held and conducted in accordance with the provisions of the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57, as amended (the "BCBCA"), applicable securities legislation and the Articles of the Petitioner, subject to the terms of this Order.
3. The following information (collectively, the "Meeting Materials"):
  - (a) the Notice of Special Meeting;
  - (b) the Management Information Circular prepared in connection with the Special Meeting (the "Circular"), including the Interim Order;
  - (c) the Arrangement Agreement and Plan of Arrangement (attached collectively as a Schedule to the Circular);
  - (d) the Form of Proxy; and
  - (d) the Notice of Hearing of Petition for a Final Order approving the Arrangement,in substantially the same form annexed as Exhibit "B" to the Ziger Affidavit #1, with such amendments and inclusions thereto as counsel for the Petitioner may advise are necessary or desirable, provided that such amendments and inclusions are not inconsistent with the terms of this Order, shall be mailed by prepaid ordinary mail or sent by facsimile or other electronic transmission:
  - (a) to the Matica Shareholders at their registered address as they appear on the books of the Petitioner at the close of business on January 15, 2015, being the record date fixed by the board of directors of the Petitioner for the determination of Matica Shareholders entitled to notice of the Special Meeting; and
  - (b) to the directors and auditors of the Petitioner,which mailing shall occur at least twenty-one (21) days prior to the date of the Special Meeting, excluding the date of mailing and excluding the date of the Special Meeting, and that service of the Special Materials as herein described, shall constitute good and sufficient service of such Notice of the Special Meeting and notice of Matica's application for a Final Order, upon all who may wish to appear in these proceedings, and no other service need be made, and such service shall be effective on the fifth day after the said Meeting Materials are mailed or, if sent by facsimile or other electronic transmission, on the date of said transmission.

4. Notice of any amendments, updates or supplements to any of the information provided in the Meeting Materials may be communicated to the Matica Shareholders by press release, news release, newspaper advertisement or by notice sent to the Matica Shareholders by any of the means set forth in paragraph 3 herein, as determined to be the most appropriate method of communication by the Board of Directors of Matica.
5. The accidental omission to give the Notice of the Special Meeting or Notice of the Application for a Final Order to, or the non-receipt of such notices by, one or more of the persons specified herein, shall not invalidate any resolution passed or proceedings taken at the Special Meeting.
6. The Chair of the Special Meeting (the "Chair") shall be an officer or director of the Petitioner or such other person as may be appointed by the Matica Shareholders for that purpose.
7. The Chair is at liberty to call on the assistance of legal counsel to the Petitioner at any time and from time to time, as the Chair may deem necessary or appropriate during the Special Meeting, and such legal counsel is entitled to attend the Special Meeting for this purpose.
8. The Special Meeting may be adjourned or postponed for any reason upon the approval of the Chair, and if the Special Meeting is adjourned or postponed, it shall be reconvened or held at a place and time to be designated by the Chair.
9. The quorum required at the Special Meeting shall be the quorum required by the Articles of the Petitioner.
10. The vote of the Matica Shareholders required to adopt the Arrangement Resolution at the Special Meeting shall be the affirmative vote of not less than two-thirds of the votes cast by the Matica Shareholders who vote in person or by proxy on the Arrangement Resolution, voting as a single class.
11. Approval of the Arrangement Resolution by the affirmative vote of not less than two-thirds of the votes cast is in accordance with the provisions of Section 289(1)(a)(i) of the BCBCA.

12. The Chair or Secretary of the Special Meeting shall, in due course, file with the Court Affidavit(s) verifying the actions taken and the decisions reached by the Matica Shareholders at the Special Meeting with respect to the Arrangement.
13. The only persons entitled to notice of or vote at the Special Meeting or any adjournment(s) or postponement(s) thereof either in person or by proxy shall be the Matica Shareholders as at the close of business on January 15, 2015 (and under applicable securities legislation and policies, the beneficial owners of the common shares of the Petitioner registered in the name of intermediaries) and the directors and auditors of the Petitioner.
14. Each registered Matica Shareholder who ceases to be a Matica Shareholder upon completion of the Arrangement shall have the right to dissent in respect of the Arrangement Resolution in accordance with the provisions of sections 237-247 of the BCBCA, as modified by the terms of this Interim Order and the Plan of Arrangement. A beneficial holder of Matica Shares registered in the name of a broker, custodian, trustee, nominee or other intermediary who wishes to dissent must make arrangements for the registered Matica Shareholder to dissent on behalf of the beneficial holder of Shares or, alternatively, make arrangements to become a registered Matica Shareholder.
15. Registered Matica Shareholders shall be the only securityholders of Matica entitled to exercise rights of dissent.
16. In order for a registered Matica Shareholder to exercise such right of dissent under sections 237-247 of the BCBCA (the "Dissent Right"):
  - (a) The dissenting Matica Shareholder shall deliver a written objection which must be received by Matica at its office at 44 Victoria Street, Suite 1102, Toronto, Ontario, M5C 1Y2, Attention: Boris Ziger, at any time prior to 10:00 a.m. (Toronto time) on the business day that is two business days before the Special Meeting or any date to which the Special Meeting may be postponed or adjourned;
  - (b) the dissenting Matica Shareholder shall not have voted his, her or its Matica Shares of the class in respect of which the Dissent Right is exercised at the



Special Meeting, either by proxy or in person, in favour of the Arrangement Resolution;

- (c) a vote against the Arrangement Resolution or an abstention shall not constitute the written objection required under subparagraph (a);
  - (d) the dissenting Matica Shareholder may not exercise rights of dissent in respect of only a portion of such dissenting Matica Shareholder's securities of the class in respect of which the Dissent Right is exercised, but may dissent only with respect to all of the securities of such class held by such person; and
  - (e) the exercise of such Dissent Right must otherwise comply with the requirements of section 237-247 of the BCBCA, as modified by this Interim Order.
17. Notice to the Matica Shareholders of their dissent rights with respect to the Arrangement Resolution and their right to receive, subject to the provisions of the BCBCA and the Arrangement, the fair value of their securities shall be given by including information with respect to this right in the Circular to be sent to Matica Shareholders in accordance with this Interim Order.
18. Subject to further order of this Court, the rights available to the Matica Shareholders under the BCBCA and the Plan of Arrangement to dissent from the Arrangement shall constitute full and sufficient dissent rights for the Matica Shareholders with respect to the Arrangement.
19. The Petitioner is at liberty to give notice of this application to persons outside the jurisdiction of this Honourable Court in the manner specified herein.
20. Unless the directors of the Petitioner by resolution determine to abandon the Arrangement, the Application for the Final Order (the "Final Application") be set down for hearing before the presiding Judge in Chambers at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, on March 10, 2015 at 9:45 a.m., or so soon thereafter as counsel may be heard, and that, upon approval by the Matica Shareholders at the Special Meeting of the Arrangement Resolution approving the Arrangement, all in

the manner required by Section 289 of the BCBCA, the Petitioner be at liberty to proceed with the Final Application on that date.

21. Any Matica Shareholder may appear at the Final Application provided that such person shall file a Response to the Petition filed herein, in the form prescribed by the Rules of Court of the Supreme Court of British Columbia, and deliver a copy of the filed Response, together with a copy of all material on which such person intends to rely at the Final Application, including an outline of such person's proposed submissions, to counsel for the Petitioner at its address for delivery as set out in the Petition, on or before 4:00 p.m. (Pacific Standard Time) on March 02, 2015, or as the Court may otherwise direct.
22. Subject to other provisions in this Order no material other than that contained in the Meeting Materials or Notice Materials need be served on any persons in respect of these proceedings.
23. If the Final Application is adjourned, only those persons who have filed and delivered a Response in accordance with this Interim Order need to be served and provided with notice of the adjourned date or any further materials filed with the Court.
24. The provisions of Rules 8-1 (apart from the requirement for an Application Record) and 16-1 be hereby dispensed with for the purposes of any further application to be made pursuant to this Petition.

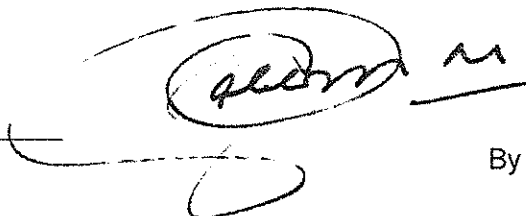
25. The Petitioner and the Matica Shareholders, directors and auditors shall, and hereby do, have liberty to apply for such further Orders as may be appropriate.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Leah Shepherd

☐ Petitioner    ☒ lawyer for Petitioner



By the Court



Registrar

1. The first part of the document is a title page. It contains the title of the document, the author's name, and the date of the document. The title is "The First Part of the Document". The author's name is "John Doe". The date of the document is "1/1/2020".

2. The second part of the document is an introduction. It contains a brief overview of the document and its purpose. The introduction states that the document is a report on the results of a study conducted by the author. The purpose of the study was to determine the effectiveness of a new treatment for a certain condition.

3. The third part of the document is a literature review. It contains a summary of the research that has been done in the field of the study. The literature review shows that there is a need for a new treatment for the condition, and that the author's study is one of the first to test a new treatment.

4. The fourth part of the document is a description of the study. It contains information about the participants, the treatment, and the results of the study. The study was conducted with 100 participants, and the results showed that the new treatment was effective in treating the condition.

5. The fifth part of the document is a conclusion. It contains a summary of the findings of the study and a statement about the future of the research. The conclusion states that the new treatment is effective, and that further research is needed to determine the long-term effects of the treatment.

6. The sixth part of the document is a list of references. It contains a list of the books, articles, and other sources that the author used in the study. The references are listed in alphabetical order.

7. The seventh part of the document is an appendix. It contains additional information that is related to the study, but that is not included in the main text. The appendix contains a list of the participants, a copy of the questionnaire, and a copy of the data from the study.

8. The eighth part of the document is a glossary. It contains a list of the terms that are used in the document, and a brief definition of each term. The glossary is intended to help the reader understand the terminology used in the document.

9. The ninth part of the document is a bibliography. It contains a list of the books, articles, and other sources that the author used in the study. The bibliography is listed in alphabetical order.

10. The tenth part of the document is a list of figures. It contains a list of the figures that are included in the document, and a brief description of each figure. The figures are listed in alphabetical order.

11. The eleventh part of the document is a list of tables. It contains a list of the tables that are included in the document, and a brief description of each table. The tables are listed in alphabetical order.

12. The twelfth part of the document is a list of appendices. It contains a list of the appendices that are included in the document, and a brief description of each appendix. The appendices are listed in alphabetical order.

13. The thirteenth part of the document is a list of references. It contains a list of the books, articles, and other sources that the author used in the study. The references are listed in alphabetical order.

14. The fourteenth part of the document is an appendix. It contains additional information that is related to the study, but that is not included in the main text. The appendix contains a list of the participants, a copy of the questionnaire, and a copy of the data from the study.

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17. The seventeenth part of the document is a list of figures. It contains a list of the figures that are included in the document, and a brief description of each figure. The figures are listed in alphabetical order.

18. The eighteenth part of the document is a list of tables. It contains a list of the tables that are included in the document, and a brief description of each table. The tables are listed in alphabetical order.

19. The nineteenth part of the document is a list of appendices. It contains a list of the appendices that are included in the document, and a brief description of each appendix. The appendices are listed in alphabetical order.

20. The twentieth part of the document is a list of references. It contains a list of the books, articles, and other sources that the author used in the study. The references are listed in alphabetical order.

**SCHEDULE “D”**

**NOTICE OF HEARING AND PETITION FOR FINAL ORDER**

No. \_\_\_\_\_  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

MATICA ENTERPRISES INC.

PETITIONER

**RE: IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING MATICA ENTERPRISES INC., ITS SHAREHOLDERS, RAVENLINE EXPLORATION LTD., 1022607 B.C. LTD., 1022608 B.C. LTD. AND 1024250 B.C. LTD. PURSUANT TO SECTIONS 288 to 299 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA), S.B.C. 2002, c. 57, AS AMENDED**

**NOTICE OF HEARING**

WITHOUT NOTICE

TAKE NOTICE that the Petition of Matica Enterprises Inc. dated January 27, 2015 will be heard at the Courthouse at 800 Smithe Street, Vancouver, British Columbia on Thursday, January 29, 2015 at 9:45 a.m.

**1. Date of Hearing**

- ☐ The parties have agreed as to the date of the hearing of the petition.
- ☐ The parties have been unable to agree as to the date of the hearing but notice of the hearing will be given to the petition respondents in accordance with Rule 16-1(8)(b) of the Supreme Court Civil Rules.
- ☒ The petition is unopposed, by consent or without notice.

**2. Duration of hearing**

- ☒ It has been agreed by the parties that the hearing will take 5 minutes.
- ☐ The parties have been unable to agree as to how long the hearing will take and
  - (a) ☐ the time estimate of the Petitioner is \_\_\_\_\_, and
  - (b) ☐ the time estimate of the petition respondent(s) is \_\_\_\_\_ minutes.
  - ☐ the petition respondent(s) has(ve) not given a time estimate.

**3. Jurisdiction**

- ☒ This matter is within the jurisdiction of a master.
- ☐ This matter is not within the jurisdiction of a master.

Date: January 27, 2015

\_\_\_\_\_  
Signature of Leah Shepherd

☐ petitioner      ☒ counsel for Petitioner

## **SCHEDULE “E”**

### **DISSENT PROCEDURES**

Pursuant to the Interim Order, Matica Shareholders have the right to dissent to the Arrangement Resolution. Such right of dissent is described in the Circular. See “Dissent Rights” for details of the right to dissent and the procedure for compliance with the right of dissent. The full text of Sections 237 to 247 of the BCA is set forth below. Note that certain provisions of Sections 237 to 247 have been modified by the Interim Order.

### **SECTIONS 237 TO 247 OF THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)**

#### **Definitions and application**

237 (1) In this Division:

"dissenter" means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

"notice shares" means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

"payout value" means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or

(d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that



- (a) the court orders otherwise, or
- (b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

**Right to dissent**

238 (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

- (a) under section 260, in respect of a resolution to alter the articles
  - (i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or
  - (ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company's community purposes within the meaning of section 51.91;
- (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;
- (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
- (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
- (g) in respect of any other resolution, if dissent is authorized by the resolution;
- (h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

- (a) prepare a separate notice of dissent under section 242 for
  - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
  - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,

(b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and

(c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

(a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and

(b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

#### **Waiver of right to dissent**

239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

(a) provide to the company a separate waiver for

(i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

### **Notice of resolution**

240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

(a) a copy of the resolution,

(b) a statement advising of the right to send a notice of dissent, and

(c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

### **Notice of court orders**

241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

(a) a copy of the entered order, and

(b) a statement advising of the right to send a notice of dissent.

### **Notice of dissent**

242 (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

(a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,

(b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or

(c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of

(i) the date on which the shareholder learns that the resolution was passed, and

(ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

(a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or

(b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

(a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or

(b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

(a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

(i) the name and address of the beneficial owner, and

(ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

#### **Notice of intention to proceed**

243 (1) A company that receives a notice of dissent under section 242 from a dissenter must,

(a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of

(i) the date on which the company forms the intention to proceed, and

(ii) the date on which the notice of dissent was received, or

(b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1) (a) or (b) of this section must

(a) be dated not earlier than the date on which the notice is sent,

(b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and

(c) advise the dissenter of the manner in which dissent is to be completed under section 244.

### **Completion of dissent**

244 (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

(a) a written statement that the dissenter requires the company to purchase all of the notice shares,

(b) the certificates, if any, representing the notice shares, and

(c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1) (c) must

(a) be signed by the beneficial owner on whose behalf dissent is being exercised, and

(b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out

(i) the names of the registered owners of those other shares,

- (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
  - (iii) that dissent is being exercised in respect of all of those other shares.
- (3) After the dissenter has complied with subsection (1),
  - (a) the dissenter is deemed to have sold to the company the notice shares, and
  - (b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.
- (4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.
- (5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.
- (6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

#### **Payment for notice shares**

245 (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

- (a) promptly pay that amount to the dissenter, or
  - (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may
  - (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

(a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

(a) the company is insolvent, or

(b) the payment would render the company insolvent.

### **Loss of right to dissent**

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:



- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

**Shareholders entitled to return of shares and rights**

247 If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

**SCHEDULE “F”**

**UNAUDITED PRO FORMA STATEMENTS OF  
FINANCIAL POSITION OF  
MATICA, SPINCO1, SPINCO2, SPINCO3 AND SPINCO4  
AS AT SEPTEMBER 30, 2014**

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**MATICA ENTERPRISES INC.**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION**  
**As at September 30, 2014**  
**(EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)**

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**MATICA ENTERPRISES INC.**  
**Pro Forma Statement of Financial Position**  
**As at September 30, 2014**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	Balance, as previously reported	Pro Forma Adjustment	Note	Pro Forma Balance
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 26,481	1,096,980 (80,000)	2 (w), (z), (cc), (dd) 3	\$ 1,043,461
GST/HST receivable	20,653			20,653
	47,134	1,016,980		1,064,114
Deposit	71,737	43,874	2 (v)	115,611
Exploration and evaluation assets	281,910	289,000 (570,910)	2 (aa) 3	-
Intangible assets	-	588,000 (458,000)	2 (x), (t), (u) 3	130,000
<b>Total Assets</b>	<b>\$ 400,781</b>	<b>908,944</b>		<b>\$ 1,309,725</b>
<b>Liabilities</b>				
Current Liabilities				
Accounts payables and accrued liabilities	184,550	(72,339)	3	112,211
Due to related parties	187,761			187,761
	<b>372,311</b>	<b>(72,339)</b>		<b>299,972</b>
<b>Flow-Through Share Premium</b>	<b>35,868</b>			<b>35,868</b>
	<b>408,179</b>	<b>(72,339)</b>		<b>335,840</b>
<b>Shareholder's Equity</b>				
Share capital	2,784,774	1,871,749 (1,036,571)	2 (t) - (aa), (cc)-(dd) 3	3,619,952
Subscriptions received	78,236			78,236
Shares issued but not paid	-			-
Reserves	455,083	46,088	2 (w), (z), (cc)	501,171
Deficit	(3,325,491)	100,017	2 (y), (cc)	(3,225,474)
	<b>(7,398)</b>	<b>981,283</b>		<b>973,885</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 400,781</b>	<b>908,944</b>		<b>\$ 1,309,725</b>

Approved on behalf of the Board of Directors:

/s/ "Boris Ziger"

Boris Ziger  
Director

/s/ "Rawn Lakhan"

Rawn Lakhan  
Director

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# **MATICA ENTERPRISES INC.**

## **Notes to Pro Forma Statement of Financial Position**

**As at September 30, 2014**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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Matica Enterprises Inc. (formerly "Cadman Resources Inc." and "Matica Graphite Inc.") (the "Company") was incorporated pursuant to the British Columbia Business Corporation Act on November 13, 2007 as a "Capital Pool Company" ("CPC") as defined in the policies of the TSX Venture Exchange (the "Exchange"). As the Company failed to complete a Qualifying Transaction within the prescribed time frame under the Exchange's policy, on December 23, 2010 the Company transferred the listing of the Company's shares to the NEX Board. On July 6, 2012, the Company delisted trading of its shares from the NEX Board and began trading on the Canadian Stock Exchange ("CSE"). The head office, principal address and records of the office of the Company are located at Suite 700, 350 Bay Street, Toronto, ON M5H 2S6, Canada.

On April 11, 2014, the Company changed its name to Matica Graphite Inc. from Cadman Resources Inc. effective April 21, 2014, the Company began trading under the new symbol GRF.

On July 02, 2014, the Company changed its name to Matica Enterprises Inc. from Matica Graphite Inc. On November 24, 2014, the Company changed its symbol to "MMJ" from "GRF".

On September 29, 2014, Matica Shareholders approved the change of the primary focus of Matica's business from resource exploration to the medical marijuana industry.

On January 26, 2015, the Company entered into the Arrangement Agreement with its wholly-owned subsidiaries: Ravenline Exploration Ltd. ("Spinco1"), 1022607 B.C. Ltd. ("Spinco2"), 1022608 B.C. Ltd. ("Spinco3"), 1024250 B.C. Ltd. ("Spinco 4"). The purpose of the Plan of Arrangement is to allow the Company to divest itself of certain non-core assets and associated liabilities (the "Assets"), by transferring the Assets to its wholly owned subsidiaries, thereby enabling the Company to focus on developing its medical marijuana business.

### **1. Basis of preparation**

The accompanying unaudited pro forma statement of financial position as at September 30, 2014 has been prepared by management of Matica from the unaudited condensed interim financial statements of Matica as at September 30, 2014 and in accordance with accounting policies used in the Company's unaudited interim financial statements for the nine months ended September 30, 2014 and audited annual financial statements for the year ended December 31, 2013. These accounting policies are in accordance with International Financial Reporting Standards ("IFRS"). The unaudited pro forma statement of financial position and notes thereto do not include all the information or disclosures required by IFRS for annual financial statements and should be read in conjunction with the audited annual financial statements of Matica for the year ended December 31, 2013.

This unaudited pro forma balance sheet has been compiled for purposes of inclusion in the Management Information Circular of Matica dated January 26, 2015, in connection with the reorganization of certain assets of the Company.

A pro forma presentation of operations for any period ending September 30, 2014 is not considered practicable in this circumstance nor would it provide any meaningful information to a financial statement reader.

The unaudited pro forma statement of financial position gives effect to the Company's proposed Plan of Arrangement (the "Arrangement") as if the transactions had occurred on September 30, 2014 under the *Business Corporations Act* (British Columbia), as described herein. Upon completion of the Plan of Arrangement, as more fully described in Note 2:

- Matica's rights under the Maniwaki Option Agreement, the Buckingham North Option Agreement, the Additional Buckingham Option Agreement, the Grumpy Lizard Option Agreement (collectively, the "Mining Assets") and \$20,000 cash will be owned by Spinco1, which itself will be owned directly by the shareholders of Matica on January 15, 2015 (the "Share Distribution Record Date");

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# **MATICA ENTERPRISES INC.**

## **Notes to Pro Forma Statement of Financial Position**

**As at September 30, 2014**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **1. Basis of preparation (continued)**

- Matica's rights under the letter of intent entered into with 2426702 Ontario Inc. (the "THCO LOI"), a corporation operating as THCO.ca, and \$20,000 cash will be owned by Spinco2, which itself will be owned directly by the shareholders of Matica on the Share Distribution Record Date;
- Matica's rights under the letter of intent entered into with Ludwig Industrial Solutions Limited (the "LISL LOI") and \$20,000 cash will be owned by Spinco3, which itself will be owned directly by the shareholders of Matica on the Share Distribution Record Date;
- Matica's rights under the joint venture agreement with Bellerosa Distributing Ltd. (the "Bellerosa JV Agreement") and \$20,000 cash will be owned by Spinco4, which itself will be owned directly by the shareholders of Matica on the Share Distribution Record Date;

The unaudited pro forma statement of financial position is not necessarily indicative of the financial position of the Company on closing of the proposed transactions, nor is it necessarily indicative of the future financial position of Matica.

### **2. Pro forma adjustments**

The following pro forma adjustments have been made in the pro forma statement of financial position as at September 30, 2014 to account for the impacts of the proposed Arrangement as contemplated in the management information circular and as described below:

#### *Plan of Arrangement*

- (a) Matica will alter its share capital by creating an unlimited number of new common shares ("New Matica Shares"), Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares and will attach rights and restrictions to the New Matica Shares and the Reorganization Shares.
- (b) Each issued and outstanding Matica Share (other than Matica Shares held by Dissenting Shareholders) will be exchanged for one New Matica Share, one Class 1 Reorganization Share, one Class 2 Reorganization Share, one Class 3 Reorganization Share and one Class 4 Reorganization Share.
- (c) The issue price for each Class 1 Reorganization Share will be an amount equal to the fair market value, as determined by the directors, of one Class 1 Reorganization Share immediately following the exchange provided for in this paragraph. The issue price for each Class 2 Reorganization Share will be an amount equal to the fair market value, as determined by the directors, of one Class 2 Reorganization Share immediately following the exchange provided for in this paragraph. The issue price for each Class 3 Reorganization Share will be an amount equal to the fair market value, as determined by the directors, of one Class 3 Reorganization Share immediately following the exchange provided for in this paragraph. The issue price for each Class 4 Reorganization Share will be an amount equal to the fair market value, as determined by the directors, of one Class 4 Reorganization Share immediately following the exchange provided for in this paragraph.
- (d) Matica will add to the stated capital account maintained by it for the Class 1 Reorganization Shares the lesser of the issue price thereof and \$518,571. Matica will add to the stated capital account maintained by it for the Class 2 Reorganization Shares the lesser of the issue price thereof and \$20,000. Matica will add to the stated capital account maintained by it for the Class 3 Reorganization Shares the lesser of the issue price thereof and \$20,000. Matica will add to the stated capital account maintained by it for the Class 4 Reorganization Shares the lesser of the issue price thereof and \$478,000.
- (e) The issue price for each New Common Share will be an amount equal to the difference between (i) the fair market value for the Common Share for which it was, in part, exchanged immediately prior thereto and (ii) the amount determined in paragraph (c) above.

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# **MATICA ENTERPRISES INC.**

## **Notes to Pro Forma Statement of Financial Position**

**As at September 30, 2014**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **2. Pro forma adjustments (continued)**

- (f) Matica will add to the stated capital account maintained by it for the New Common Shares an amount equal to the amount by which the paid up capital of the Common Shares, immediately before the exchange, exceeds the stated capital account of the Class 1 Reorganization Shares, the Class 2 Reorganization Shares, Class 3 Reorganization Shares and the Class 4 Reorganization Shares, as determined above.
- (g) The amounts to be added to the stated capital accounts maintained by Matica for the New Common Shares and Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares shall, notwithstanding paragraph (d) above, not exceed the PUC of the Common Shares at the time of the exchange.
- (h) All Matica Shareholders on the Effective Date (other than Matica Shares held by Dissenting Shareholders) will receive one New Common Share. All Matica Shareholders of record on the Share Distribution Record Date (other than Matica Shares held by Dissenting Shareholders) will receive one Class 1 Reorganization Share, one Class 2 Reorganization Share, one Class 3 Reorganization Share, and one Class 4 Reorganization Share.
- (i) All of the Class 1 Reorganization Shares will be transferred by Matica Shareholders on the Share Distribution Record Date to Spinco1 in exchange for Spinco1 Shares in accordance with the Spinco1 Reorganization Ratio, which will be calculated on the basis of 22,310,666 Spinco1 Shares to be issued divided by the number of Class 1 Reorganization Shares issued. Spinco1 will not issue any fractional Spinco1 Shares and any fractional Spinco1 Shares resulting from the exchange will be cancelled.
- (j) All of the Class 2 Reorganization Shares will be transferred by Matica Shareholders on the Share Distribution Record Date to Spinco2 in exchange for Spinco2 Shares in accordance with the Spinco2 Reorganization Ratio, which will be calculated on the basis of 4,462,133 Spinco2 Shares to be issued divided by the number of Class 2 Reorganization Shares issued. Spinco2 will not issue any fractional Spinco2 Shares and any fractional Spinco2 Shares resulting from the exchange will be cancelled.
- (k) All of the Class 3 Reorganization Shares will be transferred by Matica Shareholders on the Share Distribution Record Date to Spinco3 in exchange for Spinco3 Shares in accordance with the Spinco3 Reorganization Ratio, which will be calculated on the basis of 892,426 Spinco3 Shares to be issued divided by the number of Class 3 Reorganization Shares issued. Spinco3 will not issue any fractional Spinco3 Shares and any fractional Spinco3 Shares resulting from the exchange will be cancelled.
- (l) All of the Class 4 Reorganization Shares will be transferred by Matica Shareholders on the Share Distribution Record Date to Spinco4 in exchange for Spinco4 Shares in accordance with the Spinco4 Reorganization Ratio, which will be calculated on the basis of 4,462,133 Spinco4 Shares to be issued divided by the number of Class 4 Reorganization Shares issued. Spinco4 will not issue any fractional Spinco4 Shares and any fractional Spinco4 Shares resulting from the exchange will be cancelled.
- (m) Matica will redeem all of the Class 1 Reorganization Shares from Spinco1 and will satisfy the redemption amount of such shares by the transfer to Spinco1 of Mining Assets and \$20,000 in working capital.
- (n) Matica will redeem all of the Class 2 Reorganization Shares from Spinco2 and will satisfy the redemption amount of such shares by the transfer to Spinco2 of the THCO LOI and \$20,000 in working capital.
- (o) Matica will redeem all of the Class 3 Reorganization Shares from Spinco3 and will satisfy the redemption amount of such shares by the transfer to Spinco3 of the LISL LOI and \$20,000 in working capital.
- (p) Matica will redeem all of the Class 4 Reorganization Shares from Spinco4 and will satisfy the redemption amount of such shares by the transfer to Spinco4 of the Bellerosa JV Agreement and \$20,000 in working capital.

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# MATICA ENTERPRISES INC.

## Notes to Pro Forma Statement of Financial Position

As at September 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Pro forma adjustments (continued)

(q) The Common Shares exchanged for New Common Shares and Class 1 Reorganization Shares, Class 2 Reorganization Shares, Class 3 Reorganization Shares and Class 4 Reorganization Shares will be cancelled.

(r) The Notice of Articles and Articles of Matica will be amended to reflect the changes to its authorized share structure made pursuant to the Plan of Arrangement; and

(s) After the Effective Date:

(i) all Matica Share Commitments will be exercisable for New Matica Shares and Spinco1 Shares, Spinco2 Shares, Spinco3 Shares, and Spinco4 Shares in accordance with the corporate reorganization terms of such commitments, whereby the acquisition of one Matica Share under a Matica Share Commitment will result in the holder of the Matica Share Commitments receiving one New Matica Share and such number of Spinco1 Common Shares, Spinco2 Common Shares, Spinco3 Common Shares, and Spinco4 Common Shares equal to the number of New Common Shares so received multiplied by the Class 1 Reorganization Ratio, Class 2 Reorganization Ratio, Class 3 Reorganization Ratio or Class 4 Reorganization Ratio, as applicable;

(ii) pursuant to the Spinco1 Commitment, Spinco2 Commitment, Spinco3 Commitment, and Spinco4 Commitment, Spinco1, Spinco2, Spinco3, and Spinco4 will issue the required number of Spinco1 Shares, Spinco2 Shares, Spinco3 Shares, and Spinco4 Shares upon the exercise of Matica Share Commitments as is directed by Matica, and

(iii) Matica will, as agent for Spinco1, Spinco2, Spinco3, and Spinco4, collect and pay to Spinco1, Spinco2, Spinco3, and Spinco4 a portion of the proceeds received for each Matica Share Commitment so exercised, with the balance of the exercise price to be retained by Matica, determined in accordance with the following formula:

$$A = B \times C/D$$

Where:

A is the portion of the proceeds to be received by Spinco1, Spinco2, Spinco3 and Spinco4 for each Matica Share Commitment exercised after the Effective Date;

B is the exercise price of the Matica Share Commitments;

C is the fair market value of the Assets transferred to Spinco1, Spinco2, Spinco3 and Spinco4 under the Arrangement, such fair market value to be determined as of the Effective Date by resolution of the board of directors of Matica; and

D is the total fair market value of all of the assets of Matica immediately prior to the completion of the Arrangement on the Effective Date, which total fair market value shall include, for greater certainty, the Assets.

The transactions and events set out above shall occur and shall be deemed to occur at the Effective Time on the Effective Date in the chronological order in which they are set out above.



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## **MATICA ENTERPRISES INC.**

### **Notes to Pro Forma Statement of Financial Position**

**As at September 30, 2014**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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## **2. Pro forma adjustments (continued)**

### *Subsequent events*

- (t) On January 14, 2015 Matica issued 400,000 Matica Shares valued at \$0.095 per share as Finders' Fees for the option agreement with Bellerosa.
- (u) On December 15, 2014, Matica issued 4,000,000 Matica Shares valued at \$0.105 per share to Bellerosa pursuant to the Bellerosa JV Agreement to acquire a 60% interest in the Bellerosa JV.
- (v) On November 25, 2014 Matica issued 325,000 Matica Shares as Finders' Fees for the THCD agreement valued at \$0.135 per share.
- (w) On November 21, 2014 Matica completed the second tranche of a non-brokered private placement ("the Private Placement") of 1,642,500 units comprised of one Matica Share and one half of one common share purchase warrant at subscription price of \$0.10 per share for gross proceeds of \$164,250. Each whole warrant is exercisable into one Matica Share at an exercise price of \$0.15 per share for a period of 18 months. Matica incurred a cash commission of \$6,400. The Company paid a finder's fee of 8% of the proceeds raised in cash and 8% of the proceeds in broker's warrants.
- (x) On November 20, 2014 Matica issued 1,000,000 Matica Shares pursuant to the THCD agreement valued at \$0.13 per share.
- (y) On July 14, 2014, Matica issued 1,500,000 shares valued at \$0.10 per share to PRC Partners Inc. as payment towards a marketing agreement between Matica and PRC Partners Inc. On November 14, 2014, Matica cancelled 1,500,000 Matica issued valued at \$0.10 per share to PRC Partners Inc. due to the cancellation of a marketing agreement between Matica and PRC Partners Inc.
- (z) On November 7, 2014 Matica completed a non-brokered private placement (the "Private Placement") of 8,030,000 units comprised of one Matica Share and one half of one common share purchase warrant at subscription price of \$0.10 per share for gross proceeds of \$803,000. Each whole warrant is exercisable into one Matica Share at an exercise price of \$0.15 per share for a period of 18 months. Matica incurred a cash commission of \$44,240. The Company paid a finder's fee of 8% of the proceeds raised in cash and 8% of the proceeds in broker's warrants.
- (aa) On October 06, 2014 Matica issued 3,400,000 Matica Shares for the Grumpy Lizard property agreement valued at \$0.085 per share.
- (bb) In December of 2014, 1,447,933 outstanding share purchase warrants expired unexercised.
- (cc) From October 1, 2014 to the date of this Circular, 550,000 options were exercised at a price of \$0.10 per Matica Share and 100,000 options at an exercise price of \$0.10 were cancelled.
- (dd) From October 1, 2014 to the date of this Circular, 1,955,715 warrants were exercised at \$0.07 and 731,666 warrants were exercised at a price of \$0.09 per Matica Share.

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# MATICA ENTERPRISES INC.

## Notes to Pro Forma Statement of Financial Position

As at September 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Pro forma adjustments (continued)

The followings assumptions were used for the Black-Scholes option pricing model calculation resulting in the following estimated issue date values for the finders warrants issued subsequent to September 30, 2014:

Share price	\$0.10
Risk free interest rate	1.00%
Expected dividend yield	Nil
Expected stock price volatility	150%
Expected life of options	5 years

The followings assumptions were used for the Black-Scholes option pricing model calculation resulting in the following estimated issue date values for the options issued in subsequent to September 30, 2014:

Share price	\$0.10 - \$0.12
Risk free interest rate	1.00%
Expected dividend yield	Nil
Expected stock price volatility	150%
Expected life of options	1.5 years

### 3. Pro forma assumptions

Pursuant to the Plan of Arrangement, the assets and liabilities to be transferred to Spinco1, Spinco2, Spinco3, Spinco4 based on their carrying values in the financial statements of Matica at September 30, 2014, are as follows:

#### Assets and liabilities

Mining Assets	\$	570,910
Contingent liabilities (1)		(72,339)
THCO LOI		Nil
LISL LOI		Nil
Bellerosa JV Agreement		458,000
Cash		80,000
	\$	1,036,571

- (1) As at September 30, 2014, the Company had unfulfilled CEE obligations of \$118,009. As the Company did not fulfill the expenditure obligation, the Company accrued an amount of \$15,435 related to Part XII.6 tax and related penalties and interests on the unfulfilled commitments. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment. An estimated amount totaling \$56,904 was accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount of actual claims and penalties, if any, is contingent on assessments of Canada Revenue Agency ("CRA").

The Arrangement envisions the transfer of these assets and liabilities from their ownership by Matica to ownership by Matica's wholly-owned subsidiaries, Spinco1, Spinco2, Spinco3 and Spinco4, and the immediate distribution of a controlling interest in the common shares of Spinco1, Spinco2, Spinco3 and Spinco4 to the current shareholders of Matica. The shareholders of Matica at the time of the Plan of Arrangement will continue to collectively own these assets, albeit through an altered corporate structure. Consequently, given that there will be no substantive change in the beneficial ownership of these assets at the time that they are vended to these subsidiaries; the transfer will be recorded under IFRS using the historical carrying values of the assets in the accounts of Matica.

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# MATICA ENTERPRISES INC.

## Notes to Pro Forma Statement of Financial Position

As at September 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

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### 4. Share capital

The following table sets out the diluted share capital of Matica after giving effect to the proposed pro forma adjustments as described in note 2 as at September 30, 2014:

Authorized:

Unlimited number of common shares without par value

	Number Outstanding	Amount
Common shares outstanding at September 30, 2014 - as previously reported	46,397,118	\$ 2,784,774
Common shares subsequently issued (note 2)	20,534,881	2,049,297
Transfer of assets pursuant to the Arrangement	-	(1,036,571)
<b>Common shares outstanding at September 30, 2014 (basic) - pro forma</b>	<b>66,931,999</b>	<b>\$ 3,797,500</b>
Issuable upon exercise of outstanding stock options and warrants	20,266,050	1,993,594
<b>Common shares outstanding at September 30, 2014 (fully diluted) - pro forma</b>	<b>87,198,049</b>	<b>\$ 5,791,094</b>

There will also be an alteration to the authorized share capital. The Company currently has Class A common shares, Class A preferred shares and Class B preferred shares. After the Arrangement there will be one class of unlimited common shares and one class of unlimited preferred shares.

### 5. Investments commitments

Stock options and common share purchase warrants of Matica outstanding on or before the effective date of the Arrangement may entitle the holder to acquire the equivalent proportionate share of common shares of Spinco1, Spinco2, Spinco3 and Spinco4 if they are exercised after the effective date of the Arrangement. In the event that any Stock options are exercised after the effective date, Matica will be required to remit to Spinco1, Spinco2, Spinco3 and Spinco4 a portion of the funds received by Matica in accordance with the formula set out in the Arrangement Agreement.

### 6. Income taxes

The income tax impacts of the above pro forma adjustments have not been reflected in the unaudited pro forma statement of financial position as at September 30, 2014.

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**RAVENLINE EXPLORATION LTD.**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION**  
**As at September 30, 2014**  
**(EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)**

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**Ravenline Exploration Ltd.****Pro Forma Statement of Financial Position****As at September 30, 2014****(Expressed in Canadian Dollars)****(Unaudited)**

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	Balance, as previously reported	Pro Forma Adjustment	Note	Pro Forma Balance
<b>Assets</b>				
Current Assets				
Cash	\$ 1	\$ 20,000 (1)	3	\$ 20,000
Exploration and evaluation assets	-	570,910	3	570,910
<b>Total Assets</b>	<b>\$ 1</b>	<b>\$ 590,909</b>		<b>\$ 590,910</b>
<b>Liabilities</b>				
Current Liabilities				
Accounts payables and accrued liabilities	-	72,339		72,339
<b>Shareholder's Equity</b>				
Share capital	1	518,571 (1)	3	518,571
Retained earnings	-			-
	<b>1</b>	<b>518,570</b>		<b>518,571</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 1</b>	<b>\$ 590,909</b>		<b>\$ 590,910</b>

Approved on behalf of the Board of Directors:

/s/ "Boris Ziger"

Boris Ziger  
Director

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# **Ravenline Exploration Limited**

## **Notes to Pro Forma Statement of Financial Position**

**As at September 30, 2014**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **1. Basis of presentation**

This unaudited pro forma balance sheet has been compiled for purposes of inclusion in the Management Information Circular of Matica dated January 26, 2015, in connection with the reorganization of certain assets of the Company.

Ravenline Exploration Ltd. ("Spinco1" or the "Company") has been incorporated under the Business Corporations Act (British Columbia) with 1 common share issued to its initial and sole shareholder, Matica. Under the terms of the Arrangement, Spinco1 will own substantially all of Matica's rights under the Maniwaki Option Agreement, the Buckingham North Option Agreement, the Additional Buckingham Option Agreement, the Grumpy Lizard Option Agreement (collectively, the "Mining Assets") and \$20,000 cash.

This pro forma balance sheet has been prepared as if the Arrangement occurred on September 30, 2014 and that the adjustments disclosed in note 3 had occurred on the same date. In the opinion of management, the pro forma balance sheet includes all the adjustments necessary for fair presentation in accordance with IFRS, inclusive of the effect of the assumptions disclosed in note 3. A pro forma presentation of operations for the period ending September 30, 2014 is not considered practicable in this circumstance nor would it provide any meaningful information to a financial statement reader.

This pro forma balance sheet is not necessarily reflective of the financial position that would have resulted if the events described herein under the Arrangement had actually occurred on September 30, 2014 but rather expresses the pro forma results of specific transactions currently proposed. Further, this pro forma balance sheet is not necessarily indicative of the financial position that may be attained in the future.

### **2. Pro forma adjustments**

The pro forma balance sheet gives effect to the following transactions as if they had occurred at September 30, 2014:

- (a) Matica transfers certain assets and liabilities plus \$20,000 cash, described further in note 3, to Spinco1 and takes back as consideration, 22,310,666 common shares of Spinco1.
- (b) The Company will redeem the incorporator share of 1 share.

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# Ravenline Exploration Limited

## Notes to Pro Forma Statement of Financial Position

As at September 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

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### 3. Pro forma assumptions

Pursuant to the Arrangement, the assets and liabilities to be transferred to Spinco1, based on their carrying values in the financial statements of Matica at September 30, 2014, are as follows:

#### Assets and liabilities

Mining Assets	\$	570,910
Contingent liabilities (1)		(72,339)
Cash		20,000
	\$	518,571

The Arrangement envisions the transfer of these assets and liabilities from their ownership by Matica to ownership by Matica's wholly-owned subsidiary Spinco1 and the immediate distribution of a controlling interest in the common shares of Spinco1 to the current shareholders of Matica. The shareholders of Matica at the time of the Arrangement will continue to collectively own these assets, albeit through an altered corporate structure. Consequently, given that there will be no substantive change in the beneficial ownership of these assets and liabilities at the time that they are vended to Spinco1, the transfer must be recorded under IFRS using the historical carrying values of the assets in the accounts of Matica.

Spinco1 will assume the position of Matica with respect to the ownership and management of the Mining Assets.

Further, the pro forma balance sheet reflects the assumption that Spinco1 will acquire these assets and liabilities with a tax basis equal to their carrying amount for accounting purposes, such that no liability exists for future income taxes.

### 4. Share capital

	Number of Shares	Amount
Issued at incorporation	100	\$ 1
Redemption of incorporator share	(100)	(1)
Issued on acquisition of assets and liabilities from Matica	22,310,666	518,571
<b>Pro forma issued and outstanding at September 30, 2014</b>	<b>22,310,666</b>	<b>\$ 518,571</b>

### 5. Investments commitments

Stock options and common share purchase warrants of Matica outstanding on or before the effective date of the Arrangement may entitle the holder to acquire the equivalent proportionate share of common shares of Spinco1, Spinco2, Spinco3 and Spinco4. In the event that any Stock options are exercised after the effective date, Matica will be required to remit to Spinco1, Spinco2, Spinco3 and Spinco4 a portion of the funds received by Matica in accordance with the formula set out in the Arrangement Agreement.

### 6. Income taxes

The pro forma effective statutory income tax rate of the Company will be 26%.

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**1022607 B.C. LTD.**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION**  
**As at September 30, 2014**  
**(EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)**

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**1022607 B.C. LTD.****Pro Forma Statement of Financial Position****As at September 30, 2014****(Expressed in Canadian Dollars)****(Unaudited)**

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	Balance, as previously reported	Pro Forma Adjustment	Note	Pro Forma Balance
<b>Assets</b>				
Current Assets				
Cash	\$ 1	\$ 20,000 (1)	3	\$ 20,000
Intangible assets	-	-	3	-
<b>Total Assets</b>	<b>\$ 1</b>	<b>\$ 19,999</b>		<b>\$ 20,000</b>
<b>Shareholder's Equity</b>				
Share capital	1	20,000 (1)	3	20,000
Retained earnings	-			-
	<b>1</b>	<b>19,999</b>		<b>20,000</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 1</b>	<b>\$ 19,999</b>		<b>\$ 20,000</b>

Approved on behalf of the Board of Directors:

/s/ "Boris Ziger"

Boris Ziger  
Director

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# **1022607 B.C. LTD.**

## **Notes to Pro Forma Statement of Financial Position**

**As at September 30, 2014**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **1. Basis of Presentation**

This unaudited pro forma balance sheet has been compiled for purposes of inclusion in the Management Information Circular of Matica dated January 26, 2015, in connection with the reorganization of certain assets of the Company.

1022607 B.C. Ltd. ("Spinco2" or the "Company") has been incorporated under the Business Corporations Act (British Columbia) with 1 common share issued to its initial and sole shareholder, Matica. Under the terms of the Arrangement, Spinco2 will own substantially all of Matica's rights under the letter of intent entered into with 2426702 Ontario Inc. (the "THCO LOI"), a corporation operating as THCO.ca and \$20,000 cash.

This pro forma balance sheet has been prepared as if the Arrangement occurred on September 30, 2014 and that the adjustments disclosed in note 3 had occurred on the same date. In the opinion of management, the pro forma balance sheet includes all the adjustments necessary for fair presentation in accordance with IFRS, inclusive of the effect of the assumptions disclosed in note 3. A pro forma presentation of operations for the period ending September 30, 2014 is not considered practicable in this circumstance nor would it provide any meaningful information to a financial statement reader.

This pro forma balance sheet is not necessarily reflective of the financial position that would have resulted if the events described herein under the Arrangement had actually occurred on September 30, 2014 but rather expresses the pro forma results of specific transactions currently proposed. Further, this pro forma balance sheet is not necessarily indicative of the financial position that may be attained in the future.

### **2. Pro forma adjustments**

The pro forma balance sheet gives effect to the following transactions as if they had occurred at September 30, 2014:

- (a) Matica transfers certain assets plus \$20,000 cash, described further in note 3, to Spinco2 and takes back a consideration, 4,462,133 common shares of Spinco2.
- (b) The Company will redeem the incorporator share of 1 share.

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**1022607 B.C. LTD.****Notes to Pro Forma Statement of Financial Position****As at September 30, 2014****(Expressed in Canadian Dollars)****(Unaudited)**

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**3. Pro forma assumptions**

Pursuant to the Arrangement, the assets to be transferred to Spinco2, based on their carrying values in the financial statements of Matica at September 30, 2014, are as follows:

**Assets**

Cash	\$	20,000
THCO LOI		Nil
	\$	20,000

The Arrangement envisions the transfer of these assets from their ownership by Matica to ownership by Matica's wholly-owned subsidiary Spinco2 and the immediate distribution of a controlling interest in the common shares of Spinco2 to the current shareholders of Matica. The shareholders of Matica at the time of the Arrangement will continue to collectively own these assets, albeit through an altered corporate structure. Consequently, given that there will be no substantive change in the beneficial ownership of these assets at the time that they are vended to Spinco2, the transfer must be recorded under IFRS using the historical carrying values of the assets in the accounts of Matica.

Spinco2 will assume the position of Matica with respect to the ownership and management of the THCO LOI.

Further, the pro forma balance sheet reflects the assumption that Spinco2 will acquire these assets with a tax basis equal to their carrying amount for accounting purposes, such that no liability exists for future income taxes.

**4. Share capital**

	Number of Shares	Amount
Issued at incorporation	1	\$ 1
Redemption of incorporator share	(1)	(1)
Issued on acquisition of assets and liabilities from Matica	4,462,133	20,000
<b>Pro forma issued and outstanding at September 30, 2014</b>	<b>4,462,133</b>	<b>\$ 20,000</b>

**5. Investments commitments**

Stock options and common share purchase warrants of Matica outstanding on or before the effective date of the Arrangement may entitle the holder to acquire the equivalent proportionate share of common shares of Spinco1, Spinco2, Spinco3 and Spinco4. In the event that any Stock options are exercised after the effective date, Matica will be required to remit to Spinco1, Spinco2, Spinco3 and Spinco4 a portion of the funds received by Matica in accordance with the formula set out in the Arrangement Agreement.

**6. Income taxes**

The pro forma effective statutory income tax rate of the Company will be 26%.

**1022608 B.C. LTD.**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION**  
**As at September 30, 2014**  
**(EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)**

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**1022608 B.C. LTD.****Pro Forma Statement of Financial Position****As at September 30, 2014****(Expressed in Canadian Dollars)****(Unaudited)**

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	Balance, as previously reported	Pro Forma Adjustment	Note	Pro Forma Balance
<b>Assets</b>				
Current Assets				
Cash	\$ 1	\$ 20,000 (1)	3	\$ 20,000
Intangible assets	-	-	3	-
<b>Total Assets</b>	<b>\$ 1</b>	<b>\$ 19,999</b>		<b>\$ 20,000</b>
<b>Shareholder's Equity</b>				
Share capital	1	20,000 (1)	3	20,000
Retained earnings	-			-
	<b>1</b>	<b>19,999</b>		<b>20,000</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 1</b>	<b>\$ 19,999</b>		<b>\$ 20,000</b>

Approved on behalf of the Board of Directors:

*/s/ "Boris Ziger"*Boris Ziger  
Director

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# **1022608 B.C. LTD.**

## **Notes to Pro Forma Statement of Financial Position**

**As at September 30, 2014**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **1. Basis of presentation**

This unaudited pro forma balance sheet has been compiled for purposes of inclusion in the Management Information Circular of Matica dated January 26, 2015, in connection with the reorganization of certain assets of the Company.

1022608 B.C. Ltd. ("Spinco3" or the "Company") has been incorporated under the Business Corporations Act (British Columbia) with 1 common share issued to its initial and sole shareholder, Matica. Under the terms of the Arrangement, Spinco3 will own substantially all of Matica's rights under the letter of intent entered into with Ludwig Industrial Solutions Limited (the "LISL LOI") and \$20,000 cash will be owned by Spinco3, which itself will be owned directly by the current shareholders of Matica;

This pro forma balance sheet has been prepared as if the Arrangement occurred on September 30, 2014 and that the adjustments disclosed in note 3 had occurred on the same date. In the opinion of management, the pro forma balance sheet includes all the adjustments necessary for fair presentation in accordance with IFRS, inclusive of the effect of the assumptions disclosed in note 3. A pro forma presentation of operations for the period ending September 30, 2014 is not considered practicable in this circumstance nor would it provide any meaningful information to a financial statement reader.

This pro forma balance sheet is not necessarily reflective of the financial position that would have resulted if the events described herein under the Arrangement had actually occurred on September 30, 2014 but rather expresses the pro forma results of specific transactions currently proposed. Further, this pro forma balance sheet is not necessarily indicative of the financial position that may be attained in the future.

### **2. Pro forma adjustments**

The pro forma balance sheet gives effect to the following transactions as if they had occurred at September 30, 2014:

- (a) Matica transfers certain assets plus \$20,000 cash, described further in note 3, to Spinco3 and takes back a consideration, 892,426 common shares of Spinco3.
- (b) The Company will redeem the incorporator share of 1 share.

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## 1022608 B.C. LTD.

### Notes to Pro Forma Statement of Financial Position

As at September 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

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#### 3. Pro forma assumptions

Pursuant to the Arrangement, the assets to be transferred to Spinco3, based on their carrying values in the financial statements of Matica at September 30, 2014, are as follows:

##### Assets

Cash	\$	20,000
LISL LOI		Nil
	\$	20,000

The Arrangement envisions the transfer of these assets from their ownership by Matica to ownership by Matica's wholly-owned subsidiary Spinco3 and the immediate distribution of a controlling interest in the common shares of Spinco3 to the current shareholders of Matica. The shareholders of Matica at the time of the Arrangement will continue to collectively own these assets, albeit through an altered corporate structure. Consequently, given that there will be no substantive change in the beneficial ownership of these assets at the time that they are vended to Spinco3, the transfer must be recorded under IFRS using the historical carrying values of the assets in the accounts of Matica.

Spinco3 will assume the position of Matica with respect to the ownership and management of the LISL LOI.

Further, the pro forma balance sheet reflects the assumption that Spinco3 will acquire these assets with a tax basis equal to their carrying amount for accounting purposes, such that no liability exists for future income taxes.

#### 4. Share capital

	Number of Shares	Amount
Issued at incorporation	1	\$ 1
Redemption of incorporator share	(1)	(1)
Issued on acquisition of assets and liabilities from Matica	892,426	20,000
<b>Pro forma issued and outstanding at September 30, 2014</b>	<b>892,426</b>	<b>\$ 20,000</b>

#### 5. Investments commitments

Stock options and common share purchase warrants of Matica outstanding on or before the effective date of the Arrangement may entitle the holder to acquire the equivalent proportionate share of common shares of Spinco1, Spinco2, Spinco3 and Spinco4. In the event that any Stock options are exercised after the effective date, Matica will be required to remit to Spinco1, Spinco2, Spinco3 and Spinco4 a portion of the funds received by Matica in accordance with the formula set out in the Arrangement Agreement.

#### 6. Income taxes

The pro forma effective statutory income tax rate of the Company will be 26%.

**1024250 B.C. LTD.**

**PRO FORMA STATEMENT OF FINANCIAL POSITION**

**As at September 30, 2014**

**(EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)**



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**1024250 B.C. LTD.****Pro Forma Statement of Financial Position****As at September 30, 2014****(Expressed in Canadian Dollars)****(Unaudited)**

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	<b>Balance, as previously reported</b>	<b>Pro Forma Adjustment</b>	<b>Note</b>	<b>Pro Forma Balance</b>
<b>Assets</b>				
Current Assets				
Cash	\$ 1	\$ 20,000 (1)	3	\$ 20,000
Intangible assets	-	458,000	3	458,000
<b>Total Assets</b>	<b>\$ 1</b>	<b>\$ 477,999</b>		<b>\$ 478,000</b>
<b>Shareholder's Equity</b>				
Share capital	1	478,000 (1)	3	478,000
Retained earnings	-			-
	<b>1</b>	<b>477,999</b>		<b>478,000</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 1</b>	<b>\$ 477,999</b>		<b>\$ 478,000</b>

Approved on behalf of the Board of Directors:

/s/ "Boris Ziger"

Boris Ziger

Director

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# **1024250 B.C. LTD.**

## **Notes to Pro Forma Statement of Financial Position**

**As at September 30, 2014**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **1. Basis of presentation**

This unaudited pro forma balance sheet has been compiled for purposes of inclusion in the Management Information Circular of Matica dated January 26, 2015, in connection with the reorganization of certain assets of the Company.

1022607 B.C. Ltd. ("Spinco4" or the "Company") has been incorporated under the Business Corporations Act (British Columbia) with 1 common share issued to its initial and sole shareholder, Matica. Under the terms of the Arrangement, Spinco4 will own substantially all of Matica's rights under the joint venture agreement entered into with Bellerosa Distributing Ltd. (the "Bellerosa JV Agreement") and \$20,000 cash.

This pro forma balance sheet has been prepared as if the Arrangement occurred on September 30, 2014 and that the adjustments disclosed in note 3 had occurred on the same date. In the opinion of management, the pro forma balance sheet includes all the adjustments necessary for fair presentation in accordance with IFRS, inclusive of the effect of the assumptions disclosed in note 3. A pro forma presentation of operations for the period ending September 30, 2014 is not considered practicable in this circumstance nor would it provide any meaningful information to a financial statement reader.

This pro forma balance sheet is not necessarily reflective of the financial position that would have resulted if the events described herein under the Arrangement had actually occurred on September 30, 2014 but rather expresses the pro forma results of specific transactions currently proposed. Further, this pro forma balance sheet is not necessarily indicative of the financial position that may be attained in the future.

### **2. Pro forma adjustments**

The pro forma balance sheet gives effect to the following transactions as if they had occurred at September 30, 2014:

- (a) Matica transfers certain assets plus \$20,000 cash, described further in note 3, to Spinco4 and takes back a consideration, 4,462,133 common shares of Spinco4.
- (b) The Company will redeem the incorporator share of 1 share.

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**1024250 B.C. LTD.****Notes to Pro Forma Statement of Financial Position****As at September 30, 2014****(Expressed in Canadian Dollars)****(Unaudited)**

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**3. Pro forma assumptions**

Pursuant to the Arrangement, the assets to be transferred to Spinco4, based on their carrying values in the financial statements of Matica at September 30, 2014, are as follows:

**Assets**

Cash	\$	20,000
Bellerosa JV Agreement		458,000
	\$	478,000

The Arrangement envisions the transfer of these assets from their ownership by Matica to ownership by Matica's wholly-owned subsidiary Spinco4 and the immediate distribution of a controlling interest in the common shares of Spinco4 to the current shareholders of Matica. The shareholders of Matica at the time of the Arrangement will continue to collectively own these assets, albeit through an altered corporate structure. Consequently, given that there will be no substantive change in the beneficial ownership of these assets at the time that they are vended to Spinco4, the transfer must be recorded under IFRS using the historical carrying values of the assets in the accounts of Matica.

Spinco4 will assume the position of Matica with respect to the ownership and management of the Bellerosa JV Agreement.

Further, the pro forma balance sheet reflects the assumption that Spinco4 will acquire these assets with a tax basis equal to their carrying amount for accounting purposes, such that no liability exists for future income taxes.

**4. Share capital**

	Number of Shares	Amount
Issued at incorporation	1	\$ 1
Redemption of incorporator share	(1)	(1)
Issued on acquisition of assets and liabilities from Matica	4,462,133	478,000
<b>Pro forma issued and outstanding at September 30, 2014</b>	<b>4,462,133</b>	<b>\$ 478,000</b>

**5. Investments commitments**

Stock options and common share purchase warrants of Matica outstanding on or before the effective date of the Arrangement may entitle the holder to acquire the equivalent proportionate share of common shares of Spinco1, Spinco2, Spinco3 and Spinco4. In the event that any Stock options are exercised after the effective date, Matica will be required to remit to Spinco1, Spinco2, Spinco3 and Spinco4 a portion of the funds received by Matica in accordance with the formula set out in the Arrangement Agreement.

**6. Income taxes**

The pro forma effective statutory income tax rate of the Company will be 26%.

**SCHEDULE “G”**

**AUDITED FINANCIAL STATEMENTS  
AND MD&A OF MATICA  
FOR YEAR ENDED DECEMBER 31, 2013**



**(FORMERLY CADMAN RESOURCES INC.)**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**(Expressed in Canadian Dollars)**



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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders of  
Matica Graphite Inc. (formerly Cadman Resources Inc.)

We have audited the accompanying financial statements of Matica Graphite Inc. which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained based on our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Matica Graphite Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2(b) in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Matica Graphite Inc. to continue as a going concern.

*Manning Elliott LLP*

CHARTERED ACCOUNTANTS  
Vancouver, British Columbia  
May 29, 2014

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**MATICA GRAPHITE INC. (FORMERLY CADMAN RESOURCES INC.)****STATEMENTS OF FINANCIAL POSITION****AS AT DECEMBER 31, 2013 AND 2012****(Expressed in Canadian Dollars)**

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	Notes	2013	2012
		\$	\$
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalent		157	142,874
GST/HST recoverable		7,479	9,189
Prepaid expenses		-	5,102
		7,636	157,165
DEPOSIT		2,000	-
EXPLORATION AND EVALUATION ASSETS	4	217,191	29,828
		226,827	186,993
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	10	228,533	103,584
Due to related parties	6	171,390	33,693
		399,923	137,277
FLOW-THROUGH SHARE PREMIUM	10	35,868	20,033
		435,791	157,310
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	5	2,089,574	1,418,514
Shares issued but not paid	5(b)	(24,000)	(18,000)
Contributed surplus		144,798	79,890
Deficit		(2,419,336)	(1,450,721)
		(208,964)	29,683
		226,827	186,993

NATURE OF BUSINESS AND CONTINUED OPERATIONS (Note 1 and 2(b))

CONTINGENCY (Note 10)

COMMITMENT (Note 4 and 11)

SUBSEQUENT EVENTS (Note 12)

APPROVED ON MAY 29, 2014 ON BEHALF OF THE BOARD:

/s/ "Monty Ritchings"

Mr. Monty Ritchings, Director

/s/ "Boris Ziger"

Mr. Boris Ziger, Director

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

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**MATICA GRAPHITE INC. (FORMERLY CADMAN RESOURCES INC.)****STATEMENTS OF COMPREHENSIVE LOSS****FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012****(Expressed in Canadian Dollars)**

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	<b>Notes</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Consulting	6	<b>38,473</b>	34,300
General exploration expense	4(c)	<b>76,698</b>	41,132
Management and directors' fees	6	<b>187,000</b>	55,500
Marketing	5(e)	<b>68,044</b>	12,615
Office and miscellaneous		<b>12,716</b>	18,933
Professional fees		<b>49,975</b>	118,153
Rent		<b>29,705</b>	26,843
Share-based compensation	5(e)	<b>55,798</b>	-
Transfer agent and filing fees		<b>14,843</b>	31,226
Travel and promotion		<b>33,561</b>	10,670
		<b>566,813</b>	(349,372)
<b>OTHER INCOME (EXPENSES)</b>			
Impairment of exploration and evaluation assets	4	<b>(384,828)</b>	(30,000)
Flow-through shares premium liabilities	10	<b>365</b>	-
Flow-through shares indemnification	10	<b>(56,904)</b>	-
Part XII taxes and interest related to flow-through shares	10	<b>(15,435)</b>	-
Interest and other income		-	907
Recovery (Impairment) of deposit	4(c)	<b>55,000</b>	(55,000)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(968,615)</b>	(433,465)
<b>LOSS PER SHARE - BASIC AND DILUTED</b>		<b>(0.04)</b>	(0.04)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES</b>		<b>23,015,587</b>	11,307,404

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



**MATICA GRAPHITE INC. (FORMERLY CADMAN RESOURCES INC.)****STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012****(Expressed in Canadian Dollars)**

		Common shares		Shares Issued but	Contributed		Shareholders'
	Notes	Shares	Amount	Not Paid	Surplus	Deficit	Equity (Deficiency)
			\$	\$	\$	\$	\$
Balance, December 31, 2011		12,484,500	1,184,485	-	78,148	(1,017,256)	245,377
Shares cancelled	5(c)	(1,400,000)	-	-	-	-	-
Shares issued for cash, net		4,373,333	249,062	(18,000)	1,742	-	232,804
Share issue for property		100,000	5,000	-	-	-	5,000
Premium liability on flow-through shares		-	(20,033)	-	-	-	(20,033)
Comprehensive loss		-	-	-	-	(433,465)	(433,465)
Balance, December 31, 2012		15,557,833	1,418,514	(18,000)	79,890	(1,450,721)	29,683
Subscriptions received		-	-	18,000	-	-	18,000
Warrants exercised	5(b)	724,285	50,700	-	-	-	50,700
Shares issued for properties	5(b)	15,000,000	515,000	-	-	-	515,000
Shares issued for settlement of debts	5(b)	1,326,000	66,300	-	-	-	66,300
Shares issued for cash, net	5(b)	840,000	55,260	(24,000)	-	-	31,260
Premium liability on flow-through shares		-	(16,200)	-	-	-	(16,200)
Share based compensation	5(e)	-	-	-	64,908	-	64,908
Comprehensive loss		-	-	-	-	(968,615)	(968,615)
Balance, December 31, 2013		33,448,118	2,089,574	(24,000)	144,798	(2,419,336)	(208,964)

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

**MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012****(Expressed in Canadian Dollars)**

	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>			
Net loss		(968,615)	(433,465)
Items not involving cash			
Flow-through share premium recovery	10	(365)	-
Impairment of exploration and evaluation assets	4	384,828	-
Recovery of impaired deposit	4(c)	(55,000)	-
Share-based compensation	5(e)	64,908	25,000
		(574,244)	(408,465)
Changes in non-cash working capital items:			
GST/HST recoverable		1,710	21,108
Prepaid expenses		3,102	(677)
Accounts payable and accrued liabilities		141,249	58,762
<b>Cash Used in Operating Activities</b>		<b>(428,183)</b>	<b>(329,272)</b>
<b>INVESTING ACTIVITIES</b>			
Investment in exploration and evaluation assets		(2,191)	(10,112)
<b>Cash Used in Investing Activities</b>		<b>(2,191)</b>	<b>(10,112)</b>
<b>FINANCING ACTIVITIES</b>			
Common shares issued, net		99,960	232,804
Increase in due to related parties		187,697	31,903
<b>Cash Provided by Financing Activities</b>		<b>287,657</b>	<b>264,707</b>
<b>DECREASE IN CASH</b>		<b>(142,717)</b>	<b>(74,677)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>		<b>142,874</b>	<b>217,551</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>		<b>157</b>	<b>142,874</b>
<b>NON-CASH TRANSACTIONS:</b>			
Shares issued for exploration and evaluation assets	4	515,000	5,000
Shares issued for related parties loans settlement	5(b)	50,000	-
Shares issued for vendors loans settlement	5(b)	16,300	-
Agent warrants issued		-	1,742
Premium liability recorded on flow-through shares	5(b)	16,200	20,033
<b>SUPPLEMENTAL INFORMATION:</b>			
Interest paid		-	-
Income taxes paid		-	-

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

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**MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
(Expressed in Canadian Dollars)

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**1. NATURE OF BUSINESS AND CONTINUED OPERATIONS**

Matica Graphite Inc. (formerly "Cadman Resources Inc.") ("the Company") was incorporated pursuant to the British Columbia Business Corporation Act on November 13, 2007 as a "Capital Pool Company" ("CPC") as defined in the policies of the TSX Venture Exchange (the "Exchange"). As the Company failed to complete a Qualifying Transaction within the prescribed time frame under the Exchange's policy, on December 23, 2010 the Company transferred the listing of the Company's shares to the NEX Board. On July 6, 2012, the Company delisted trading of its shares from the NEX Board and began trading on the Canadian Stock Exchange ("CSE"). The head office, principal address and records of the office of the Company are located at Suite 700, 350 Bay Street, Toronto, ON M5H 2S6, Canada.

On April 17, 2014, the Company changed its name to Matica Resources Inc. from Cadman Resources Inc. Effective April 21, 2014, the Company began trading under the new symbol GRF.

As of December 31, 2013, the Company is an exploration stage company that is engaged principally in the acquisition and exploration of its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

On May 12, 2014, the Company became subject to a management initiated management cease trade order (see Note 12).

**2. BASIS OF PRESENTATION**

**(a) Statement of compliance**

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved and authorized for issuance by the Company's Board of Directors on May 30, 2014.

**(b) Going concern**

The Company had net loss of \$968,615 for the year ended December 31, 2013 and an accumulated deficit of \$2,419,336 which has been funded primarily by the issuance of equity. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from exploration and evaluation assets, obtaining additional financing or maintaining continued support from its shareholders and creditors. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected.

These 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 forced liquidation. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

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**MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
(Expressed in Canadian Dollars)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3(h). All amounts are expressed in the Company's functional currency which is the Canadian dollars unless otherwise stated.

(b) Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

(c) Exploration and evaluation assets

(i) Acquisition of exploration and evaluation assets

The Company capitalizes the direct costs of acquiring mineral property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

From time to time, the Company acquires and disposes of mineral property interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs (recoveries) when payments are made or received until the original cost is recovered and after which subsequent recoveries are charged to profit or loss.

(ii) Exploration and evaluation costs

The Company capitalizes exploration and evaluation expenses at cost for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable.

All direct and indirect costs relating to the exploration of specific properties with the objective of locating, defining and delineating mineral reserves on specific properties are capitalized as exploration and evaluation assets. Government assistance, mining duty credits and optionee commitments are applied against exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefit either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions about future events or circumstances, in particular when an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Exploration and evaluation expenditures are evaluated annually and then reclassified as mineral properties upon completion of technical feasibility and commercial viability.

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**MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
(Expressed in Canadian Dollars)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Reclamation and restoration

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period it is incurred with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. As at December 31, 2013, the Company did not have any reclamation and restoration obligations.

(e) Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

(f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(g) Share issuance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

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**MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
(Expressed in Canadian Dollars)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value less directly attributable transaction costs and classified as either FVTPL or other financial liabilities.

Financial instruments comprise cash and cash equivalents, accounts payable and due to related parties. At initial recognition management has classified financial assets and liabilities as follows:

(i) Financial assets

The Company has classified its cash and cash equivalents as FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

(ii) Financial liabilities

The Company has classified its accounts payable and due to related parties as other financial liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(i) Share-based payments

The Company accounts for share-based payments awards granted to employees and consultants at the fair value of the equity instruments at grant date. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest, using the Black-Scholes option pricing model. The amount recognized as expense is adjusted to reflect the number of share options expected to vest at each reporting period.

(j) Flow through shares

The proceeds from offering of flow-through shares are allocated between the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the market value of the shares and the amount the investors pay for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in the results of operations in the period the eligible exploration expenditures occurred. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through shares premium liability will be reversed. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a recovery in profit or loss in the period of renunciation.

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**MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
(Expressed in Canadian Dollars)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Current and deferred income taxes

Income tax expense comprises current and deferred tax and is recognized in operations except to the extent that it relates to business combinations, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for temporary differences in assets and liabilities arising in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, transactions relating to investments in jointly controlled entities to the extent that they will not reverse in the foreseeable future, and transactions arising on the initial recognition of goodwill. Deferred tax is recognized at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax assets is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive. The weighted average number of common shares outstanding is adjusted retrospectively for changes in capitalization such as share splits, reverse splits, or cancellations without consideration.

(m) Use of estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets and financial instruments, decommissioning liabilities, deferred income tax assets and liabilities, assumptions used in valuing options in share-based payment calculations, indemnification provision for flow-through shares and interest and penalties of flow-through shares. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Use of judgments

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year.

(i) Going concern (continued)

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 2.

(ii) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If information becomes available after expenditure is capitalized suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

(o) Adoption of new pronouncements

The Company adopted the following accounting policies effective January 1, 2013:

IFRS 7 – Financial Instruments: Disclosures, requires entities to provide additional information about offsetting of financial assets and financial liabilities that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaced SIC-12, Consolidation-Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 11 Joint Arrangements, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers. The adoption of this IFRS did not impact the Company's financial statements.



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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Adoption of new pronouncements (continued)

IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The adoption of this IFRS did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled to net income in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately including prior year comparatives. The adoption of this IFRS did not impact the Company's financial statements.

IAS 28 – Investments in Associates and Joint Ventures As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. The adoption of this IFRS did not impact the Company's financial statements.

(p) New standard and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The following standard will be effective for annual periods beginning on or after January 1, 2014:

IFRIC 21 *Levies* - In May 2013, the IASB issued IFRIC 21, an interpretation of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy.

IAS 32 – Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New standard and interpretations not yet adopted (continued)

*IAS 36 Impairment of Assets* - In May 2013, the IASB issued amendments to IAS 36 which restricts the requirement to disclose the recoverable amount of an asset or cash generating unit ("CGU") to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.

*IAS 39 Financial Instruments: Recognition and Measurement* - In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

*IFRS 9 Financial Instruments* - In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

4. EXPLORATION AND EVALUATION ASSETS

	Gaspe Copper, Quebec	Golden Star Block, Ontario	Maniwaki West, Quebec	Buckingham North, Quebec	Songea District, Tanzania	Total
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2011	-	-	-	-	-	-
Acquisition costs	11,050	30,000	-	-	-	41,050
Exploration costs:						
Geological & engineering	18,000	-	-	-	-	18,000
Travel & others	778	-	-	-	-	778
Impairment	-	(30,000)	-	-	-	(30,000)
Balance, December 31, 2012	29,828	-	-	-	-	29,828
Acquisition costs	-	-	80,000	135,000	355,000	570,000
Exploration costs						
Geological & engineering	-	-	-	2,191	-	2,191
Impairment	(29,828)	-	-	-	(355,000)	(384,828)
Balance, December 31, 2013	-	-	80,000	137,191	-	217,191

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4. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Gaspé copper, Quebec

On November 9, 2012, the Company entered into an option agreement to acquire 100 percent interest in the copper project located in Gaspé Peninsula in the Province of Quebec. The Gaspé copper property comprises 56 permits totalling 3,192 hectares. As consideration the Company agreed to pay cash of \$30,000, issue 1,100,000 common shares and incur \$300,000 exploration expenditures as follows:

	Cash Payment	Share Issuance	Exploration Expenditures
	\$		\$
Before October 15, 2012 (paid)	5,000	-	-
Before October 31, 2012 (issued)	-	100,000 <sup>a</sup>	-
On or before June 1, 2013	-	-	100,000 <sup>b</sup>
On or before December 31, 2013	25,000	1,000,000 <sup>a</sup>	200,000
<b>Total</b>	<b>30,000</b>	<b>1,100,000</b>	<b>300,000</b>

- a. Shares (4 months hold period) to be issued within a delay of five (5) business days following the receipt of the required regulatory approvals.
- b. Of which an amount shall be incurred on the permits at the latest six (6) months before the expiry date of the permits.

The property is subject to a 2% net smelter return ("NSR"). The Company has the right, at any time and at its sole discretion, to purchase one of the two percentage points of the NSR on the property by paying to the optionor the sum of \$1,000,000.

During the year ended December 31, 2013, none of the cash payment of \$25,000, issuance of 1,000,000 common shares or exploration expenditures of \$300,000 was incurred. Management has determined not to pursue any further exploration in the property. Consequently, the deferred acquisition and exploration costs incurred in this property in the amount of \$29,828 were fully written off as impairment expenses to net loss in 2013.

(b) Golden Star Block, Ontario

On March 6, 2012 and amended on May 28, 2012, the Company entered into an option agreement to acquire a 55% undivided interest in 2 blocks of mining claims, leases and patents, known as the Golden Star Block and the Baseline/Nugget Block, that are located in Northwestern Ontario. The Company can acquire the interest by paying \$275,000 in cash, issuing 960,000 common shares of the Company and incurring \$600,000 exploration expenditures on the properties within two years as follows:

	Cash Payments	Share Issuance	Exploration Expenditures
	\$		\$
30 days after July 6, 2012 (paid)	25,000	-	-
5 days after July 6, 2012	-	960,000	-
3 months after July 6, 2012 (paid \$5,000)	100,000	-	-
12 months after July 6, 2012	150,000	-	250,000
24 months after July 6, 2012	-	-	350,000
	<b>275,000</b>	<b>960,000</b>	<b>600,000</b>

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4. EXPLORATION AND EVALUATION ASSETS (continued)

(b) Golden Star Block, Ontario (continued)

The property is subject to a 2% NSR. The Company may purchase one half of each of the NSR at any time for \$500,000.

The Company made deposit of \$25,000 in 2011 and made \$5,000 payment in 2012 on the property. The Company did not issue the 960,000 common shares as required in the option agreement. Management has determined not to pursue any further exploration in the property. Consequently, the \$30,000 deferred acquisition cost balance was charged as impairment expenses to net loss in 2012.

(c) Mbozi Copper and Songea District, Tanzania

On July 10, 2012 the Company entered into a letter of intent with Shenba Resources Holdings Limited ("Shenba") Limited to acquire a 65% interest in the Mbozi Copper project located in the United Republic of Tanzania. A \$55,000 deposit was paid to Shenba in 2012. The letter of intent was terminated on March 12, 2013 and the \$55,000 deposit was recorded as impairment expense in 2012.

On May 27, 2013, the Company entered into an option purchase agreement with Shenba and Tung Wing Trading Company Limited ("Tung Wing") to acquire a 75% interest in two prospecting licences for two mineral properties in the Songea District of the Republic of Tanzania through the acquisition of 75% of the outstanding shares of Tung Wing, a Tanzania registered company that holds the two prospecting licences. As consideration for the option, the Company agreed to pay US\$100,000 and issue 10,000,000 common shares of the Company to Shenba. On fulfillment of the option obligations, the Company may exercise the option to acquire the 75% interest of the prospecting licences by an additional payment of US\$120,000 to Tung Wing within 6 months of signing of a final agreement, and agrees to provide 100% financing to Tung Wing for any future property acquisitions, exploration to production costs and operating costs as required by the Tanzanian Ministry of Commerce.

On June 12, 2013, the Company issued to Shenba 10,000,000 common shares at a fair value of \$300,000. Shenba agreed to apply the \$55,000 deposit previously paid to Shenba in 2012 for the Mbozi Copper project to the US\$100,000 option payment obligation. As a result, the Company recorded a recovery of impaired deposit of \$55,000 in 2013.

During the period from January 1, 2013 to May 27, 2013, the Company paid \$76,698 to Tung Wing as partial payments of the US\$120,000 payment requirement in exercising the option to acquire the 75% interest in the prospecting licences. These were pre-acquisition payments made prior to the effective date of the option agreement and were expensed as general exploration expense in 2013.

For the year ended December 31, 2013, management determined not to pursue the project and recorded impairment expenses of \$355,000 to net loss.

A director of Shenba who owns 15% equity interest in Shenba is related to an officer of the Company who was appointed Chief Financial Officer of the Company on March 7, 2013.

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4. EXPLORATION AND EVALUATION ASSETS (continued)

(d) Maniwaki West Property, Quebec

On July 26, 2013, the Company entered into an option agreement with JP & Associates Inc. to acquire 100 percent interest in the rare earth project (the "REE project") located north of Ottawa/Gatineau near the town of Maniwaki in the Province of Quebec. The Maniwaki West property is comprised of 24 permits totalling 14.23 km<sup>2</sup>. To exercise the option and earn 100 percent interest in the Maniwaki West property, the company is required to issue 2,000,000 common shares of the Company upon signing of the option agreement and to make a cash payment of \$10,000 (not paid).

On August 13, 2013, the Company issued 2,000,000 common shares at a fair value of \$80,000.

(e) Buckingham North Property

On September 20, 2013, the Company entered into an option agreement with JP & Associates Inc. and Alexander Johnston to acquire 100 percent interest in the graphite project located east of Ottawa/Gatineau. The Buckingham North property (the "Property") is comprised of 18 permits totalling 10.89 km<sup>2</sup>. To exercise the option and earn 100 percent interest in the property, the company is required to issue 3,000,000 common shares of the Company upon signing of the option agreement and pay \$5,000 on or before November 15, 2013 (not paid).

On November 5, 2013, the Company issued 3,000,000 common shares at a fair value of \$135,000.

On November 12, 2013, the Company entered into an option agreement with JP & Associates Inc. to acquire additional property adjacent to its Buckingham North graphite project in the Ottawa valley, western Quebec. This property is comprised of 4 permits totaling 2.4 km<sup>2</sup>. To exercise the option and earn 100 percent interest in the Property, the Company is required to issue 1,000,000 common shares of the Company (see Note 12) upon signing of the option agreement and to make cash payment of \$5,000 on or before December 31, 2013 (not paid).

5. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued and outstanding

On August 9, 2012, the Company closed a non-brokered private placement of 280,000 units at a price of \$0.15 per unit for gross proceeds of \$42,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.20 per share for a period of 18 months. The Company incurred cash commission of \$3,360 and granted 8,000 common share purchase warrants as finders' fees. The Company recorded \$259 in non-cash issue costs related to the 8,000 warrants. These warrants have the same term and exercise price as the private placement warrants. No value was allocated to the half-warrants as they had no intrinsic value on the date the units were issued.

On November 19, 2012, pursuant to the option agreement for the Gaspé copper property, the Company issued 100,000 common shares at fair value of \$50,000 (see Note 4(a)).

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5. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

On December 22, 2012, the Company closed a non-brokered private placement of 2,003,333 flow-through units at a price of \$0.06 per unit for gross proceeds of \$120,200. Each unit consisted of one flow through common share and one non-flow through common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.09 per share for a two year term. The consideration received was all allocated to the common shares and no value was allocated to the warrants. In connection with the flow-through share issuance, the Company recorded a \$20,033 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. The Company incurred cash commission of \$8,176 and granted 136,226 common share purchase warrants as finders' fees. The Company recorded \$1,483 in non-cash share issue costs related to the 136,226 warrants. These warrants have the same term and exercise price as the private placement warrants.

On December 28, 2012, the Company closed a non-brokered private placement of 2,090,000 units at a price of \$0.05 per unit for gross proceeds of \$104,500. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.07 per share for a two year term. The Company incurred a cash commission of \$4,360.

On June 12, 2013, pursuant to the Tung Wing option purchase agreement, the Company issued 10,000,000 common shares at fair value of \$300,000 to Shenba (see Note 4(c)).

On August 13, 2013, pursuant to the Maniwaki West property agreement, the Company issued 2,000,000 common shares at fair value of \$80,000 (see Note 4(d)).

On November 5, 2013, pursuant to the Buckingham North property agreement, the Company issued 3,000,000 common shares at fair value of \$135,000 (see Note 4(e)).

On December 10, 2013, the Company closed a non-brokered private placement of 540,000 flow-through units at a price of \$0.08 per unit for gross proceeds of \$43,200. Each unit consisted of one flow through common share and one flow through common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.11 per share for a period of eighteen months. The consideration received for was all allocated to the common shares and no value was allocated to the warrants. In connection with the flow-through share issuance, the Company recorded a \$16,200 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. The Company incurred a cash commission of \$1,500. At December 31, 2013, \$24,000 of the gross proceeds was not received until subsequent to year end.

On December 10, 2013, the Company closed a non-brokered private placement of 1,626,000 units at a price of \$0.05 per unit for gross proceeds of \$81,300. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of \$0.07 per share for a period of eighteen month. The consideration received was all allocated to the common shares and no value was allocated to the warrants. Of the 1,626,000 units, 1,326,000 units were issued for settlement of \$50,000 owed to related parties and \$16,300 owed to vendors, totalling \$66,300. The Company incurred a cash commission of \$1,440.

During the year ended December 31, 2013, 724,285 common shares were issued for \$50,700 on exercise of warrants at a price of \$0.07 per share.

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5. SHARE CAPITAL (continued)

(c) Escrowed shares

On July 3, 2012, as a requirement of delisting from the NEX Board, the Company cancelled 1,400,000 escrowed common shares. As at December 31, 2013, the Company has no escrowed shares. The weighted average number of common shares used in the loss per share calculation has been adjusted retrospectively for year ended December 31, 2012, due to the cancellation of the escrow shares without a corresponding change in resources.

(d) Share purchase warrants

On April 10, 2013, the Company issued 724,285 shares on the exercise of warrants.

A summary of the changes in the Company's warrants as at December 31, 2013 and 2012 is presented below:

	Number of warrant	Weighted average exercise price
		\$
Balance, December 31, 2011	-	-
Issued	4,377,599	0.08
Balance, December 31, 2012	4,377,599	0.08
Issued	2,166,000	0.08
Exercised	(724,285)	0.07
Balance, December 31, 2013	5,819,314	0.08

The following table summarizes the share purchase warrants outstanding and exercisable as at December 31, 2013:

Exercise price	Expiry date	Number of warrants
\$ 0.20	1/5/2014	8,000
\$ 0.20	2/20/2014	140,000
\$ 0.09	12/28/2014	2,003,333
\$ 0.07	12/28/2014	1,365,715
\$ 0.09	12/28/2014	136,266
\$ 0.11	6/10/2016	540,000
\$ 0.07	6/10/2016	1,626,000
		5,819,314

As at December 31, 2013, 5,819,314 warrants with a weighted average remaining contractual life of 1.51 years were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each warrant held.

The followings assumptions were used for the Black-Scholes option pricing model calculation resulting in the following estimated issue date values for the finders warrants issued in 2012:

	2012
Share price	\$0.06
Risk free interest rate	1.13%
Expected life	1.97 years
Expected volatility	70%
Expected dividend yield	0.0%

The weighted average issue date fair value of finder's warrants was \$0.01.

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5. SHARE CAPITAL (Continued)

(e) Stock options

The Company has an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, the exercise price of an option shall not be less than the discounted market price at the time of granting, or as permitted by the policies of the Exchange, subject to a minimum of \$0.10 per common share. Options granted are non-transferable and may not exceed a term of five years from the grant date. Vesting is as determined by the directors at the time of grant.

	Number of Options	Weighted Average Exercise Price
		\$
Balance, December 31, 2011 and 2012	280,000	0.10
Options granted	1,425,000	0.10
Options expired	(280,000)	0.10
Options forfeited	(375,000)	0.10
Balance, December 31, 2013	1,050,000	0.10

On January 8, 2013, 280,000 outstanding options expired unexercised.

On March 6, 2013, the Company granted 1,425,000 new options to directors, officers, consultants and a vendor. The total fair value of these options was \$64,908, of which \$9,110 was recorded in marketing expense and \$55,798 as share-based compensation.

As at December 31, 2013, 1,050,000 options with a weighted average remaining contractual life of 4.18 year were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each option held.

For purposes of the calculation, the following weighted average assumptions were used under the Black-Scholes model:

	2013
Share price	\$0.06
Risk free interest rate	1.43%
Expected dividend yield	0%
Expected stock price volatility	116%
Expected life of options	5 years

The weighted average grant date fair value of stock options was \$0.05.



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**6. RELATED PARTY TRANSACTIONS**

The following is a summary of transactions with directors and officers, and companies controlled by directors of the Company:

Due to related parties included payables to directors in the amount of \$25,205 (2012 - \$6,720) and payables to officers in the amount of \$146,185 (2012 - \$26,973). These amounts are unsecured and non-interest bearing.

During the year ended December 31, 2013, the Company issued 1,000,000 units at \$0.05 per unit to various officers for settlement of \$50,000 owed to them (see Note 5(b)).

**Key Management Compensation**

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the years ended December 31, 2013 and 2012. Short-term key management compensation consists of the following for the years ended December 31, 2013 and 2012:

	2013	2012
	\$	\$
Director fees, paid to a Company with a common director	24,000	6,000
Management fees, paid to officers and directors	163,000	49,500
Consulting fees, paid to a Company with a common director	-	2,100
Consulting fees, paid to an officer	4,500	-
Share-based compensation to officers and directors	55,798	-
<b>Total key management compensation</b>	<b>247,298</b>	<b>57,600</b>

**7. MANAGEMENT OF CAPITAL**

The Company's objective for capital management is to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The Company seeks to manage capital to provide adequate funding for its projects while minimizing dilution for its existing shareholders. As the Company has no practical ability presently to raise money by long term or other debt, for practical purposes all of its capital management is directed towards management of its equity, warrant and option issuances. There is thus very limited flexibility in its capital management.

**8. FINANCIAL INSTRUMENTS AND RISK**

*Classification*

Financial instruments are classified into one of five categories: fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and accounting for changes in the values of these investments will depend on their initial classification as follows: FVTPL financial assets are measured at fair value with changes in fair value recognized in operations. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the change in value is realized or the instrument is derecognized or permanently impaired.

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8. FINANCIAL INSTRUMENTS AND RISK (continued)

*Classification (continued)*

The Company has classified its cash and cash equivalents as FVTPL. Accounts payable and due to related parties are classified as other financial liabilities.

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

	2013	2012
	\$	\$
FVTPL (i)	157	142,874
Other financial liabilities (ii)	324,643	137,277

- (i) Cash and cash equivalents
- (ii) Accounts payable and due to related parties

*Fair value*

As at December 31, 2013, the Company's financial instruments consist of cash and cash equivalents, accounts payable and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

IFRS 7 "Financial Instruments – Disclosures", requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS 7 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial instruments measured at fair value on a recurring basis at December 31, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalent	157	-	-	157

*Credit risk*

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

*Liquidity risk*

The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed Commercial Paper or similar instruments.

**MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
(Expressed in Canadian Dollars)

8. FINANCIAL INSTRUMENTS AND RISK (continued)

Foreign exchange risk

The Company does not have any foreign exchange risk as all of its transactions are in Canadian dollars.

Interest rate risk

The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions.

9. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2013	2012
Combined statutory tax rate	25.8%	25.0%
	\$	\$
Income tax recovery at combined statutory rate	249,425	108,366
Non-deductible items	(16,915)	-
Change in tax rates	14,579	-
Amounts not recognized	(247,089)	(108,366)
Deferred income tax recovery	-	-

At December 31, 2013, the amount of deductible temporary differences for which no deferred tax asset is recognized in the statements of financial position is as follows:

	2013		2012	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	\$	\$	\$	\$
Non-capital losses	1,832,000	476,000	1,233,000	308,000
Loans receivables	37,000	10,000	37,000	9,000
Mineral properties	588,000	153,000	269,000	67,000
Share issue costs	38,000	10,000	67,000	17,000
	2,495,000	649,000	1,606,000	401,000

As at December 31, 2013, the Company had non-capital losses carried forward of approximately \$1,832,000 (2012 - \$1,233,000) which may be applied to reduce future years' taxable income, expiring as follows:

	\$
2027	2,000
2028	100,000
2029	181,000
2030	222,000
2031	365,000
2032	492,000
2033	470,000
	<u>1,832,000</u>

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**MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")**  
**NOTES TO FINANCIAL STATEMENTS**  
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(Expressed in Canadian Dollars)

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**9. INCOME TAXES (continued)**

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

**10. CONTINGENCY**

On December 22, 2012, the Company closed a non-brokered private placement of 2,003,333 flow-through units at a price of \$0.06 per unit for gross proceeds of \$120,200. The fair value of the flow-through shares was \$0.05 per share. The Company was committed to incur on or before December 31, 2013 a total of \$120,200 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada. As at December 31, 2013, the Company had unfulfilled CEE obligations of \$118,009. As the Company did not fulfill the expenditure obligation, the Company accrued an amount of \$15,435 related to Part XII.6 tax and related penalties and interests on the unfulfilled commitments. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment. An estimated amount totaling \$56,904 was accrued related to the indemnification on the unfulfilled commitments. The outcome of the amount of actual claims and penalties, if any, is contingent on assessments of Canada Revenue Agency ("CRA").

During the year ended December 31, 2013, the Company had incurred qualifying CEE of \$2,191 and recognized \$365 as premium on flow-through shares liabilities in comprehensive loss for the tax deduction passed on to the flow-through shareholders under the renouncement filed in December 2012.

**11. COMMITMENT**

On April 12, 2013, the Company entered into an office lease agreement for the period May 2013 to April 2015, for monthly lease payments of \$1,100 per month.

**12. SUBSEQUENT EVENTS**

Subsequent to the year ended December 31, 2013, 148,000 outstanding share purchase warrants expired unexercised.

On January 4, 2014, the Company entered into a Letter of Intent ("LOI") to acquire 100% of new graphite project in North West Nevada known as the Grumpy Lizard property which is comprised of 56 claims. The LOI expired on April 30, 2014. The Company paid \$5,000 in March 2014 related to this LOI.

On March 28, 2014, the Company issued 1,000,000 common shares for the Buckingham North Property (see Note 4(e)).

On May 5, 2014, the Company entered into a property option and royalty agreement with Galaxy Graphite Corp. to acquire certain mineral claims in Buckingham, Quebec for 300,000 common shares of the Company.

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**MATICA GRAPHITE INC. (FORMERLY "CADMAN RESOURCES INC.")**  
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12. SUBSEQUENT EVENTS (continued)

On April 17, 2014, the Company changed its name from Cadman Resources Inc. to Matica Graphite Inc.

On May 1, 2014, the Company's management initiated a management cease trade order for not being able to timely file its December 31, 2013 audited financial statements. On May 12, 2014, the Ontario Securities Commission issued a temporary management cease trade order, and on May 13, 2014, the British Columbia Securities Commission issued a management temporary cease trade order affecting the Company's stock.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013**

**Date of Report: May 30, 2013**

The following Management discussion and analysis ("MD&A") provides analysis of Matica Graphite Inc. (formerly "Cadman Resources Inc."), ("the Company")'s audited financial results for the year ended December 31, 2013 with comparisons to 2012. This MD&A should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2013. Additional information relevant to the Corporation is available for review on SEDAR at [www.sedar.com](http://www.sedar.com).

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

**Forward-Looking Information**

Certain information included in this discussion may constitute forward-looking statements.

Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," or "continue" or the negative thereof or variations thereon or similar terminology. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. These factors include the inherent risks involved in the mining, exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated operating costs and expenses, uncertainties related to the necessity of financing, the availability of and costs of financing needed in the future and other factors described in the Company's Annual Information Form under the heading "Risk Factors". The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. The reader is cautioned not to place undue reliance on forward-looking statements.

## DESCRIPTION OF BUSINESS

The Company was incorporated pursuant to the Business Corporation Act (British Columbia) on November 13, 2007. The Company was a "Capital Pool Company" ("CPC"), as defined in the policies of the TSX Venture Exchange (the "Exchange" or "TSX-V"). On December 23, 2010, the Company transferred the listing of the Company's share to the NEX Board. On July 6, 2012, the Company delisted from the NEX Board and began trading on the Canadian National Stock Exchange ("CNSX") under the symbol "CUZ".

On April 17, 2014, the Company changed its name from Matica Graphite Inc. (formerly "Cadman Resources Inc.") to Matica Graphite Inc.. Effective April 21, 2014, the Company will begin trading under the new symbol GRF.

The Company's main business involves the acquisition, exploration and development of mineral properties.

## HIGHLIGHTS

- On March 26, 2013, the Company renegotiated with Shenba Resources Holdings Limited to acquire a 75% equity interest in Tung Wing Trading Co. Ltd., a Tanzania registered company with interest in 3 mineral exploration properties in Tanzania. Tung Wing Trading Co. Ltd. has a letter of intent ("LOI") to acquire certain mineral interest in Tanzania. On signing of this LOI, the Company effectively terminated the previous LOI with Shenba to acquire 65 per cent of the Mbozi Copper project.
- On June 10, 2013, the Company concluded the negotiations with Shenba Resources Holdings Limited ("Shenba") and has entered into an agreement with Shenba.
- On July 26, 2013, the Company signed an option agreement with JP & Associates Inc. to acquire a 100 percent interest in the rare-earth project located north of Ottawa/Gatineau near the town of Maniwaki in Quebec. The Maniwaki West property comprises 24 permits totalling 14.23 km<sup>2</sup>. The property itself is adjacent to the recent rare-earth-element discoveries by Cavan Ventures Inc.
- September 20, 2013, the Company signed an agreement for a new graphite project in Buckingham township in the Ottawa valley, western Quebec to acquire a 100 percent interest in the graphite project located east of Ottawa/Gatineau. The Buckingham North property (the "Property") is comprised of 18 permits totaling 10.89 km<sup>2</sup>. To exercise the option and earn 100 percent interest in the Property, the Company is required to deliver 3,000,000 shares of Company common stock upon signing of the option agreement and to make a cash payment of \$5,000.
- On November 12, 2013, the Company signed another option agreement to acquire additional property adjacent to its Buckingham North graphite project in the Ottawa valley, western Quebec. This additional new property is comprised of 4 permits totaling 2,4 km<sup>2</sup>. To exercise the option and earn 100 percent interest in the Property the Company is required to deliver 1,000,000 shares of Company common stock upon signing of the option agreement and to make a cash payment of \$5,000.
- On January 4, 2014, the Company entered into a Letter of Intent ("LOI") to acquire 100% of a new graphite project in North West Nevada known as the Grumpy Lizard property which is comprised of 56 claims. The LOI expired on April 30, 2014. The Company paid \$5,000 USD in March 2014 related to this LOI.



## OUTLOOK

Throughout 2013 and thus far in 2014 the junior resource market has experienced a downturn. Overall share prices have declined and traditional sources of financings have weakened. The immediate future of the entire sector is somewhat diminished as demand for raw materials and prices fluctuate downward and the entire sector consolidates. In response to current events, Matica has been seeking alternative sources of financing in order to ensure the continuation of the Company. As a non-revenue generating entity, Matica is dependant of external sources of funding to finance the Company's exploration activities and as such has placed a priority on securing foreign sources of funds.

## MINERAL PROPERTIES

### Gaspe Copper

On November 9, 2012, the Company signed an option agreement with Bertrand Brassard to acquire 100 percent interest in the copper project located in the Gaspé Peninsula in the Province of Quebec. The Gaspé copper property is comprised of 56 permits totalling 3,192 Ha. Historical results showed trench samples up to 5.1% copper. To exercise the option and earn 100 percent interest in the property the company is required to deliver 100,000 shares of Company common stock upon signing of the option agreement and to deliver a further 1,000,000 shares of Company common stock on or prior to December 31, 2013. The Company has made a cash payment of \$5,000 at the signing of the LOI and must make a further cash payment of \$25,000 on or prior to December 31, 2013. The Company also has a work commitment of \$300,000, \$100,000 of which must be incurred by June 1, 2013 and the remaining \$200,000 must be incurred by December 31, 2013.

The property is subject to a 2% net smelter return ("NSR"). The Company has the right, at any time and at its sole discretion, to purchase one of the two percentage points of the NRR on the property by paying to the optionor the sum of \$1,000,000.

During the year ended December 31, 2013, none of the cash payment of \$25,000, share issuance of 1,000,000 common shares or \$300,000 exploration expenditures was incurred. Management has determined not to pursue any further exploration in the property. Consequently, the deferred acquisition and exploration costs incurred in this property in the amount of \$29,828 were fully written off in 2013.

### Golden Star Block

On March 6, 2012 and amended on May 28, 2012, the Company entered into an option agreement to acquire a 55% undivided interest in 2 blocks of mining claims, leases and patents, known as the Golden Star Block and the Baseline/Nugget Block, that are located in Northwestern Ontario. The Company can acquire the interest by paying \$275,000 in cash, issuing 960,000 common shares of the Company and incurring \$600,000 exploration expenditures on the properties within two years as follows:

	Cash Payments	Share Issuance	Exploration Expenditures
	\$		\$
30 days after July 6, 2012 (paid)	25,000	—	—
5 days after July 6, 2012	—	960,000	—
3 months after July 6, 2012 (paid \$5,000)	100,000	—	—
12 months after July 6, 2012	150,000	—	250,000
24 months after July 6, 2012	—	—	350,000
	275,000	960,000	600,000

The property is subject to a 2% NSR. The Company may purchase one half of each of the NSR at any time for \$500,000.

The Company made a deposit of \$25,000 in 2011 and made a \$5,000 payment in 2012 on the property. The Company did not issue the 960,000 common shares as required in the option agreement. Management has determined not to pursue any further exploration in the property. Consequently, the \$30,000 deferred acquisition cost balance was charged to net loss in 2012.

#### Mbozi Copper and Tung Wing options

On July 10, 2012 the Company entered into a letter of intent with Shenba Resources Holdings Limited ("Shenba") Limited to acquire a 65% interest in the Mbozi Copper project located in the United Republic of Tanzania. This Option Agreement was terminated on March 12, 2013. As a result, the \$55,000 deposit was recorded as impairment expense.

On June 10, 2013, the Company entered into an option agreement with Shenba to acquire a 75% of all the outstanding shares of Tung Wing Trading Co. Limited ("Tung Wing"), a Tanzania registered company. As consideration for the option, the Company will pay to Shenba the sum of US\$100,000 cash and issue a total of 10,000,000 common shares of the Company within 6 months of completion of the final purchase agreement. The Company is also required to pay Tung Wing US\$120,000 cash within 6 months of completion. The Company will then have the obligation to finance any future property acquisitions, pay operating costs required by the Tanzanian Ministry of Commerce and pay exploration costs.

Tung Wing holds two mineral exploration properties in the Republic of Tanzania. There are two adjacent properties in the southern region of Ruvuma totalling 61.15 km<sup>2</sup>.

On June 12, 2013, the Company issued Shenba 10,000,000 common shares at a fair value of \$300,000. As a result, Shenba owns 38.05% of the issued and outstanding common shares on an undiluted basis and has become a control person (as defined by applicable securities law) of the Company. The \$55,000 deposit paid to Shenba in 2012 for the Mbozi Copper project was used to apply to the US\$100,000 cash to Shenba. As a result, a reversal of impairment of deposit of \$55,000 was recorded in 2013.

For the year ended December 31, 2013, the Company paid \$76,698 to Tung Wing as partial payments of the US\$120,000 option payment. However, since these payments were made prior to the option agreement and therefore, were considered as pre-acquisition expenditures. These payments were recorded as general exploration expense in the current year.

A director of Shenba who owns 15% equity interest in Shenba is related to an officer of the Company who was appointed Chief Financial Officer of the Company on March 7, 2013.

Maniwaki West property

On July 26, 2013, the Company signed an option agreement with JP & Associates to acquire 100 percent interest in the rare earth project (the "REE project") located north of Ottawa/Gatineau near the town of Maniwaki in the Province of Quebec. The Maniwaki West property is comprised of 24 permits totalling 14.23 km<sup>2</sup>. To exercise the option and earn 100 percent interest in the Maniwaki West property, the Company is required to issue 2,000,000 shares of Company common stock (issued) upon signing of the option agreement and to make a cash payment of \$10,000 (not paid).

On August 13, 2013, the Company issued 2,000,000 common shares at a fair value of \$80,000.

Buckingham North property

On September 20, 2013, the Company signed an option agreement with JP & Associates Inc. and Alexander Johnston to acquire 100 percent interest in the graphite project located east of Ottawa/Gatineau. The Buckingham North property (the "Property") is comprised of 18 permits totalling 10.89 km<sup>2</sup>. To exercise the option and earn 100 percent interest in the property, the Company is required to issue 3,000,000 shares of Company common stock (issued) upon signing of the option agreement and pay \$5,000 cash on or before November 15, 2013 (not paid).

On November 5, 2013, the Company issued 3,000,000 common shares at a fair value of \$135,000.

On November 12, 2013, the Company signed another option agreement to acquire additional property adjacent to its Buckingham North graphite project in the Ottawa valley, western Quebec. This additional new property is comprised of 4 permits totaling 2.4 km<sup>2</sup>. To exercise the option and earn 100 percent interest in the Property, the Company is required to issue 1,000,000 shares of Company common stock upon signing of the option agreement and to make cash payment of \$5,000 on or before December 31, 2013 (not paid). The 1,000,000 shares were issued on March 28, 2014.

**OVERALL PERFORMANCE**

As at December 31, 2013, the Company had cash and other current assets totalling \$7,636 (December 31, 2012; \$157,165) and working capital deficit of \$392,287 (December 31, 2012 working capital of \$19,888). For the year ended December 31, 2013, the Company incurred \$566,813 (December 31, 2012; \$349,372) in general and administrative expenses.

**Selected Annual Information**

The following table shows the financial results derived from the Company's financial statements for the years December 31, 2013 and December 31, 2012:

	December 31, 2013		December 31, 2012		December 31, 2011	
Total Revenues	\$	-	\$	-	\$	-
Net Profit (Loss)	\$	(968,615)	\$	(433,465)	\$	(355,237)
Basic and diluted loss per share	\$	(0.04)	\$	(0.04)	\$	(0.03)
Total Assets	\$	226,827	\$	186,993	\$	277,273
Total Long Term Liabilities	\$	35,868	\$	20,033	\$	-
Cash dividends declared per share	\$	-	\$	-	\$	-

In the current year, the Company incurred a net loss of \$968,615 compared to a net loss of \$433,465 for the year ended December 31, 2012. The net loss was due in large part to the write off of the Gaspé Copper and

Tung Wing properties and an indemnification provision for flow-through shares and related penalty and interest charges.

The Company had a loss per share of \$0.04 in 2013 compared to \$0.04 in 2012. Total assets at the end of 2013 amounted to \$226,827 as compared to total assets of \$186,993 in 2012. The increase of total assets was mainly due to the acquisition of new properties and payments of existing properties.

## FINANCIAL RESULTS

### Summary of Quarterly Results

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

Quarterly Information	Revenue		Net Profit (Loss)	Basic and diluted loss per common share	
December 31, 2013	\$	-	\$ (659,189)	\$	(0.02)
September 30, 2013	\$	-	\$ (61,046)	\$	(0.00)
June 30, 2013	\$	-	\$ (83,213)	\$	(0.01)
March 31, 2013	\$	-	\$ (165,167)	\$	(0.01)
December 31, 2012	\$	-	\$ (218,988)	\$	(0.02)
September 30, 2012	\$	-	\$ (86,734)	\$	(0.01)
June 30, 2012	\$	-	\$ (102,129)	\$	(0.01)
March 31, 2012	\$	-	\$ (25,614)	\$	(0.00)

**Comparison of operating results***Fourth quarter information*

	<b>Three Months Ended</b>	
	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Consulting	7,508	17,100
General exploration expense	76,698	6,032
Management and director's fees	40,500	55,500
Marketing	63,950	2,700
Office and miscellaneous	4,754	8,394
Professional fees	11,396	31,231
Rent	7,875	6,730
Share-based compensation	42,254	-
Transfer agent and filing fees	3,240	4,141
Travel and promotion	(788)	2,169
	<b>257,387</b>	<b>133,997</b>
<b>OTHER INCOME (EXPENSES)</b>		
Flow-through share premium recovery	365	-
Impairment of exploration and evaluation assets	(384,828)	(30,000)
Indemnification provision for flow-through shares	(56,904)	-
Interest and other income	-	907
Penalties and interest on flow-through shares	(15,435)	-
Reversal (Impairment) of deposit	55,000	(55,000)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(659,189)</b>	<b>(218,090)</b>

For the three months ended December 31, 2013, the Company's general and administrative expenses were increased by \$123,390 compared to the same period last year, mainly due to the following:

- the Company decreased consulting fees by \$9,592 in comparison with the same period last year, and decreased management and director fees by \$15,000 compared to the same period last year.
- general exploration increased \$70,666 in comparison to the same period last year due to the additional expenditures relating to the pre-acquisition payment to Tung Wing as part of the option purchase agreement entered into with Shimba Resources Holdings Ltd. and Ting Wing Trading Company Ltd..
- management and director's fees is \$15,000 lower due to the elimination of one directors' fees in the last quarter.
- marketing fees increased by \$61,250 due to outsourcing of additional investor relations to assist in promoting the Company in general and the development of a new website.
- the administration fees are \$3,640 lower due to the reduction of office expenses.
- professional fees is \$19,835 lower, mainly due to the completion of a qualified transaction in 2012.

- the rent is \$1,145 higher than last year due to changes in the rental agreement.
- there is an increase of \$42,254 in share based compensation due to 1,425,000 new options being granted on March 6, 2013 to various directors, officers and consultants. The transfer agent fee is comparable to the same period last year. The total fair value of these options was \$64,908, of which \$9,110 was recorded in marketing expense.
- travel and promotion expenses were negative due to a year end adjustment in an expense report.
- during the year end, the Company decided to write off the Gaspé Copper and Tung Wing properties. As a result, there is \$384,828 in impairment expenses.
- since the Company won't be able to meet the requirement of the flow through share renouncement, the Company is accruing the penalty payable for indemnification provision for flow-through shares for the amount of \$56,904 and to record \$15,435 as tax, penalty and interest expense on factual flow-through shares renounced but not yet spent.

### Annual information

	Twelve Months Ended December 31	
	2013	2012
	\$	\$
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Consulting	38,473	34,300
General exploration expense	76,698	41,132
Management and director's fees	187,000	55,500
Marketing	68,044	12,615
Office and miscellaneous	12,716	18,933
Professional fees	49,975	118,153
Rent	29,705	26,843
Share-based compensation	55,798	-
Transfer agent and filing fees	14,843	31,226
Travel and promotion	33,561	10,670
	<b>566,813</b>	<b>349,372</b>
<b>OTHER INCOME (EXPENSES)</b>		
Flow-through share premium recovery	365	-
Impairment of exploration and evaluation assets	(384,828)	(30,000)
Indemnification provision for flow-through shares	(56,904)	-
Interest and other income	-	907
Penalties and interest on flow-through shares	(15,435)	-
Reversal (Impairment) of deposit	55,000	(55,000)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(968,615)</b>	<b>(433,465)</b>

For the twelve months ended December 31, 2013, the Company's general and administrative expenses were increased by \$217,441 compared to the same period last year, mainly due to the following:

- the Company's consulting fees is \$4,173 higher, management fee is \$131,500 compared to the same period last year due to management and directors' compensation resolutions and new consulting agreements signed in 2012

- general exploration increased \$35,566 comparing the same period last year due to the additional expenditures on the Tung Wing properties
- marketing expenses increased \$55,429 due to outsourcing additional investor relationship firms to help promote the Company in general and development of a new website
- professional fees is \$68,178 lower, mainly due to completion of a qualified transaction in 2012.
- the rent is \$2,862 higher than the same period last year due to a new rental agreement.
- there is an increase of \$55,798 in share based compensation due to 1,425,000 new options being granted on March 6, 2013 to various directors, officers and consultants. The total fair value of these options was \$64,908, of which \$9,110 was recorded in marketing expense.
- the transfer agent fee is \$16,383 lower, due to delisting on the NEX Board and listing on the CSE and completion of a qualified transaction in 2012.
- travel and promotion expenses were higher by \$22,891 compared to the same period last year due to an increase in the number of acquisition or negotiation of various properties.

### **Liquidity and Capital Resources**

As of December 31, 2013, the Company had cash of \$157 compared to \$142,874 at December 31, 2012. Working capital was \$(392,287) compared to \$19,888 at December 31, 2012.

In 2013, the Company received \$50,700 due to the exercise of 724,285 warrants at \$0.07. The Company has gross proceeds of \$81,300 from non brokered private placements and \$43,200 from non brokered flow through private placements. The Company received \$24,000 subscription from non brokerage flow through private placements announced in July which is paid in January 2014. The Company issued 1,326,000 shares at fair value of \$66,300 to settle amounts owing to related parties and consultants, included in the \$81,300 from the non brokered private placements.

In order for the Company to earn its interest in mineral properties under the option, the Company must meet certain exploration spending thresholds.

In management's view, given the nature of the Company's operations, which consists of exploration, mining and evaluation of mining properties, the most relevant financial information relates primarily to current liquidity, solvency and planned property expenditures. The Company's financial success will be dependent upon the extent to which it can discover mineralization and the economic viability of developing its properties. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine.

### **LATEST OUTSTANDING SHARE DATA**

The following is the latest share data as of May 30, 2014.

Common shares – 33,448,118

Stock Options – 1,050,000

Warrants – 5,819,314

## OFF BALANCE SHEET TRANSACTIONS

The Corporation has not entered into any off balance sheet agreements.

## RELATED PARTY TRANSACTIONS

The following is a summary of transactions with directors and officers, and companies controlled by directors of the Company:

	December 31, 2013	December 31, 2012
	\$	\$
Director fees, paid to a Company with a common director	24,000	6,000
Management fees, paid to officers and directors	163,000	49,500
Consulting fees, paid to a Company with a common director	-	2,100
Consulting fees, paid to an officer	4,500	3,000
Share-based compensation to officers and directors	55,798	-
Total key management compensation	247,298	57,600

Due to related parties included payables to directors in the amount of \$25,205 (2012 - \$6,720) and payables to officers in the amount of \$146,185 (2012 - \$26,973). These amounts are unsecured and non-interest bearing.

On December 10, 2013, the Company issued 1,000,000 units at \$0.50 per share to various officers for settlement of \$50,000 owed to them.

### Non-Brokered Private Placement

On August 9, 2012, the Company closed a non-brokered private placement of 280,000 units at a price of \$0.15 per unit for gross proceeds of \$42,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is entitled the holder to purchase one common share at a price of \$0.20 per share for a period of 18 months. The Company incurred cash commission of \$3,360 and granted 8,000 common share purchase warrants as finders' fees. The Company recorded \$259 in non-cash share issue costs related to the 8,000 warrants. These warrants have the same term and exercise price as the private placement warrants.

On November 19, 2012, pursuant to the option agreement for the Gaspé copper property, the Company issued 100,000 common shares at fair value of \$50,000.

On December 22, 2012, the Company closed a non-brokered private placement of 2,003,333 flow-through units at a price of \$0.06 per unit for gross proceeds of \$120,200. Each unit consisted of one flow through common share and one non-flow through common share purchase warrant. Each whole warrant is exercisable to one common share at a price of \$0.09 per share for a two year term. In connection with the flow-through share issuance, the Company recorded a \$20,033 flow-through share premium liability



calculated as the difference between the share issuance price and the market price at the time of closing. The Company incurred cash commission of \$8,176 and granted 136,226 common share purchase warrants as finders' fees. The Company recorded \$1,483 in non-cash share issue costs related to the 136,226 warrants. These warrants have the same term and exercise price as the private placement warrants.

On December 28, 2012, the Company closed a non-brokered private placement of 2,090,000 units at a price of \$0.05 per unit for gross proceeds of \$104,500. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable to one common share at a price of \$0.07 per share for a two year term. The Company incurred a cash commission of \$4,360.

On June 12, 2013, pursuant to the agreement for the Tung Wing option, the Company issued 10,000,000 common shares valued at \$0.03 per share to Shenba (see Note 4(c)).

On August 13, 2013, the Company issued 2,000,000 shares in accordance to the Maniwaki West property agreement valued at \$0.04 per share (see Note 4(d)).

On November 5, 2013, 3,000,000 shares were issued in accordance to the September 20, 2013 Buckingham North property agreement valued at \$0.045 per share (see Note 4(e)).

On December 10, 2013, the Company closed a non-brokered private placement of 540,000 flow-through units at a price of \$0.08 per unit for gross proceeds of \$43,200. Each unit consisted of one flow through common share and one flow through common share purchase warrant. Each whole warrant is exercisable to one common share at a price of \$0.11 per share for a period of eighteen months. All of the consideration received for the units was allocated to share capital and no value was allocated to the warrants. In connection with the flow-through share issuance, the Company recorded a \$16,200 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. The Company incurred a cash commission of \$1,500. In connection with this private placement, \$24,000 of the gross proceeds was not received until subsequent to year end.

On December 10, 2013, the Company closed a non-brokered private placement of 1,626,000 units at a price of \$0.05 per unit for gross proceeds of \$81,300. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant is exercisable to one common share at a price of \$0.07 per share for a period of eighteen month. All of the consideration received for the units was allocated to share capital and no value was allocated to the warrants. Of the 1,626,000 units, 1,326,000 units were issued for debts settlements for a total value of \$66,300 (\$50,000 to related party loans and \$16,300 to vendors). The Company incurred a cash commission of \$1,440.

During the year ended December 31, 2013, 724,285 warrants were exercised at a price of \$0.07 per share.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets and financial instruments, decommissioning liabilities, deferred income tax assets and liabilities, assumptions used in valuing options in share-based

payment calculations, indemnification provision for flow-through shares and interest and penalties of flow-through shares. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Under IFRS, the Company defers all costs relating to the acquisition and exploration of its mineral properties ("exploration and evaluation" assets). Any revenues received from such properties are credited against the costs of the property. When commercial production commences on any of the Company's properties, any previously capitalized costs would be charged to operations using a unit-of-production method. The Company reviews when events or changes in circumstances indicate the carrying values of its properties to assess their recoverability and when the carrying value of a property exceeds the estimated net recoverable amount, provision is made for impairment in value. IFRS also allows the reversal of impairments if conditions that gave rise to those impairments no longer exist.

The existence of uncertainties during the exploration stage and the lack of definitive empirical evidence with respect to the feasibility of successful commercial development of any exploration property do create measurement uncertainty concerning the estimate of the amount of impairment to the value of any mineral property. The Company relies on its own or independent estimates of further geological prospects of a particular property and also considers the likely proceeds from a sale or assignment of the rights before determining whether or not impairment in value has occurred.

Under IFRS 2 - Share-based Payments, stock options are accounted for by the fair value method of accounting. Under this method, the Company is required to recognize a charge to the statement of loss based on an option-pricing model based on certain assumptions including dividends to be paid, historical volatility of the Company's share price, an annual risk free interest rate, forfeiture rates, and expected lives of the options.

## **ADOPTION OF NEW PRONOUNCEMENTS**

The Company adopted the following accounting policies effective January 1, 2013:

IFRS 7 – Financial Instruments: Disclosures, requires entities to provide additional information about offsetting of financial assets and financial liabilities that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaced SIC-12, Consolidation-Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 11 Joint Arrangements, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly

Controlled Entities - Non-monetary Contributions by Venturers. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The adoption of this IFRS did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled to net income in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately including prior year comparatives. The adoption of this IFRS did not impact the Company's financial statements.

IAS 28 – Investments in Associates and Joint Ventures As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. The adoption of this IFRS did not impact the Company's financial statements.

## RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The following standard will be effective for annual periods beginning on or after January 1, 2014:

IFRIC 21 *Levies* - In May 2013, the IASB issued IFRIC 21, an interpretation of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy.

IAS 32 – Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

IAS 36 *Impairment of Assets* - In May 2013, the IASB issued amendments to IAS 36 which restricts the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.

IAS 39 Financial Instruments: Recognition and Measurement – In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

IFRS 9 *Financial Instruments* - In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

### *Classification*

Financial instruments are classified into one of five categories: fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and accounting for changes in the values of these investments will depend on their initial classification as follows: FVTPL financial assets are measured at fair value with changes in fair value recognized in operations. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the change in value is realized or the instrument is derecognized or permanently impaired.

The Company has classified its cash and cash equivalents as FVTPL. Accounts payable and due to related parties are classified as other financial liabilities.

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

	2013	2012
	\$	\$
FVTPL (i)	157	142,874
Other financial liabilities (ii)	308,244	137,277

(i) Cash and cash equivalents

(ii) Accounts payable and due to related parties

### Fair value

As at December 31, 2013, the Company's financial instruments consist of cash and cash equivalents, accounts payable and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

IFRS 7 "Financial Instruments – Disclosures", requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS 7 establishes a fair value hierarchy

based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial instruments measured at fair value on a recurring basis at December 31, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalent	157	-	-	157

#### Credit risk

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

#### Liquidity risk

The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed Commercial Paper or similar instruments.

#### Foreign exchange risk

The Company does not have any foreign exchange risk as all of its transactions are in Canadian dollars.

#### Interest rate risk

The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions.

## RISK AND UNCERTAINTIES

Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure or easy access.

The economics of developing gold and other mineral properties are affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals

produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Depending on the price of gold or other minerals produced, which have fluctuated widely in the past, the Company may determine it is impractical to commence or continue commercial production.

### **Reserves and resource estimates**

The mineral and resources estimates disclosed in the Company's public filings are only estimates and no assurances can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially minerable deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models to project estimated ultimate recoveries by ore type at optimal crush sizes. Actual mineral recoveries may exceed or fall short of projected laboratory test results. As stated previously, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions among other things. Short-term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under onsite conditions or in production scale operations. Material changes in proven and probable reserves or resource grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated proven and probable reserves and resources disclosed in the Company's public filings should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources and project engineering. The Company believes these experts are competent and that they have carried out their work in accordance with internationally recognized standards. If, however, the work conducted by these experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs.

### **Foreign countries, laws and regulations**

If the Company signed definite agreement with Shenba Resources Holdings Limited ("Shenba") who has the property in United Republic of Tanzania and is exposed to the laws governing the mining industry in United Republic of Tanzania.

### **Commodity prices**

The profitability of the Company's operations, if established, will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, sales of gold by central banks, forward sales by producers, production, industrial and jewellery demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political development. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production of the Company's properties to become impracticable.

A reduction in the price of gold and copper may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices.

The price of gold and copper may also have a significant influence on the market price of the Company's common shares.

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's Chief Financial Officer and Chief Executive Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures ("the Procedures") which provide reasonable assurance that information required to be disclosed by the Company under provincial or territorial securities legislation (the "Required Filings") is reported within the time periods specified. Without limitation, the Procedures are designed to ensure that material information relating to the Company is accumulated and communicated to management, including its Certifying Officers, as appropriate to allow for timely decisions regarding the Required Filings.

The Company's Certifying Officers are also responsible for establishing and maintaining internal controls over financial reporting ("Internal Controls") and have designed such Internal Controls, or caused it to be designed under their supervision, which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During 2013, there were inherent weaknesses in the Internal Controls due to the small size of the Company and its inability to segregate incompatible functions. The Company does not have sufficient size and scale to warrant the hiring of additional staff to correct the weakness at this time.

The Certifying Officers evaluate the Company's Internal Controls on a regular basis and have certified that there were no change in the Company's Internal Controls during the period ended December 31, 2013 that materially affected, or is reasonably likely to materially affect, the Company's Internal Controls.

## **APPROVAL**

The Board of Directors of Matica Graphite Inc. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be obtained along with additional information, on the SEDAR website at [www.sedar.com](http://www.sedar.com).



**SCHEDULE “H”**  
**DESCRIPTION OF ASSETS**

**Assets to be Transferred to the Spincos**

<b>Spinco</b>	<b>Assets</b>
Spinco1	\$20,000 in working capital and Matica’s interest in the: (i) option agreement dated July 26, 2013 with JP & Associates Inc. in respect of the Maniwaki West property; (ii) option agreement dated September 20, 2013 with JP & Associates Inc. and Alexander Johnston in respect of the Buckingham North property; (iii) option agreement dated November 12, 2013 in respect of an additional property adjacent to the Buckingham North property; and (iv) property option and royalty agreement with Gold Exploration Management Services Inc. in respect of Grumpy Lizard property
Spinco2	\$20,000 in working capital and Matica’s interest in the letter of intent dated December 17, 2014 with 2426702 Ontario Inc.
Spinco3	\$20,000 in working capital and Matica’s interest the letter of intent dated December 23, 2014 with Ludwig Industrial Solutions Limited
Spinco4	\$20,000 in working capital and Matica’s interest in the joint venture agreement dated August 25, 2014 with Bellerosa Distributing Ltd.