Spyder Vapes Inc.

Condensed Consolidated Interim Financial Statements
For the three month period ended April 30, 2019 and 2018
(expressed in Cdn $)
UNAUDITED

Responsibility for interim financial statements

The accompanying condensed consolidated interim financial statements for Spyder Vapes Inc.. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") consistently applied. Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Recognizing that the Company is responsible for both the integrity and objectivity of the condensed consolidated interim financial statements, management is satisfied that these condensed consolidated interim financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended April 30, 2019.

Spyder Vapes Inc.
Condensed Consolidated Interim Statement of Financial Position
(Expressed in Canadian Dollars)

	April 30 2019 Unaudited	January 31 2019 Audited
ASSETS		
Current:		
Cash	$ 155,234	$ 81,532
Guaranteed investment certificate	300,000	400,000
Sales tax receivable	13,908	40,473
Inventory *(Note 3)*	162,726	155,426
Deferred finance charges	-	-
Prepaid expenses	148,058	191,478
	779,926	868,909
Non-current assets		
Property and equipment *(Note 4)*	978,309	136,472
Total non-current assets	978,309	136,472
	$ 1,758,235	$ 1,005,381
LIABILITIES AND EQUITY		
Current:		
Trade and other payables *(Note 5)*	$ 430,390	$ 248,692
Loan payable -current *(Note 7)*	24,967	24,967
Total current liabilities	455,357	273,659
Non-current liabilities:		
Lease liabilities - Right of use assets *(Note 6)*	827,610	-
Loan payable *(Note 7)*	52,010	58,252
Convertible debentures *(Note 8)*	1,200,089	1,170,988
Total non-current liabilities	2,079,709	1,229,240
	2,535,066	1,502,899
SHAREHOLDERS' DEFICIENCY		
Share Capital *(Note 9)*	79,979	79,979
Warrants *(Note 11)*	28,250	28,250
Equity component of convertible debentures *(Note 8)*	239,142	239,142
Contributed Surplus *(Note 10)*	316,379	316,379
Deficit	(1,440,581)	(1,161,268)
	(776,831)	(497,518)
	$ 1,758,235	$ 1,005,381

Nature of Operations and Going Concern - Note 1
Subsequent events - Note 17

Approved on behalf of the Board on June 26, 2019:

"Mark Pelchovitz"
Director

"Daniel Pelchovitz"
Director

Spyder Vapes Inc.
Condensed Consolidated Interim Statement of Loss and Comprehensive Loss
For the three month periods ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)
UNAUDITED

	2019	2018
Sales	$ 224,865	$ 198,017
Cost of sales	99,815	112,813
Gross margin	125,050	85,204
Expenses:		
Marketing	22,256	1,094
Finance charges *(Note 13)*	96,068	20,706
General administration *(Note 12)*	286,039	126,694
Total expenses	404,363	148,494
Operating loss	(279,313)	$ (63,290)
Deferred tax recovery	-	-
Loss and comprehensive loss for the period	$ (279,313)	$ (63,290)
Net loss per share - basic and diluted	$ (0.03)	$ (0.01)
Weighted average number of shares outstanding - basic and diluted	8,092,493	7,720,000

Spyder Vapes Inc.
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
UNAUDITED

	Shares $ Amount	Reserves	Equity component of Conv Deb.	Deficit	Total Equity
Balance January 31, 2018	$ 730	$ -	-	$ (178,945)	$ (178,215)
Net loss for period			-	(63,290)	(63,290)
Balance April 30, 2018	$ 730	$ -	$ -	$ (242,235)	$ (241,505)
Balance January 31, 2019	$ 79,979	$ 344,629	$ 239,142	$ (1,161,268)	$ (497,518)
Net loss for the perioid		-	-	(279,313)	(279,313)
Balance April 30, 2019	$ 79,979	$ 344,629	239,142	$ (1,440,581)	$ (776,831)

Spyder Vapes Inc.

Condensed Consolidated Interim Statement of Cash Flows
For the three month period ended April 30, 2019 and 2018
(Expressed in Canadian Dollars)
UNAUDITED

	2019	2018
Cash was provided by (used in) the following activities:		
Operating activities		
Net loss for the period	$ (279,313)	$ (63,290)
Items not requiring an outlay of cash:		
Amortization *(Note 4)*	55,705	12,023
Accretion *(Note 13)*	29,100	-
Change in non-cash working capital:		
Deferred finance charges	-	-
Sales tax receivable	26,565	-
Inventory	(7,300)	(17,674)
Prepaid expenses and deposits	3,146	4,035
Trade and other payables *(Note 5)*	181,698	(33,100)
Shareholder (repayments) advances	-	-
Cash flows provided by (used in) operating activities	9,601	(98,006)
Financing activities		
Payment on loans payable	(6,242)	(1,241)
Loan Right of Use Assets, net *(Note 6)*	867,886	-
Net cash proceeds from convertible debentures *(Note 8)*	-	153,794
Capital stock issued for cash	-	42,000
Cash flows provided by (used in) financing activities	861,644	194,553
Investing activities		
Guaranteed investment certificates purchased	100,000	-
Purchase of property and equipment *(Note 4)*	(897,543)	(3,421)
Cash flows provided by (used in) investing activities	(797,543)	(3,421)
Increase (decrease) in cash during the period	73,702	93,126
Cash, beginning of period	81,532	121,974
Cash, end of period	$ 155,234	$ 215,100

1. Nature of business and Going Concern

Spyder Vapes Inc. (the "Company") was incorporated under the laws of the Canada Business Corporations Act on August 18, 2014. The Company is privately-held and sells electronic cigarettes, Ejuice and accessories for the "vape" business from three Canadian retail locations; Woodbridge, Scarborough and Burlington, Ontario. The Company has signed leases for four other locations in Ontario, Niagara Falls, Burlington, Pickering and Guelph. These locations are currently in their fixturing period and have not commenced operations as of January 31, 2019. The Company is pursuing the sale of cannabis from retail stores in both Ontario and Alberta. The sale of cannabis in these provinces is subject to obtaining regulatory approval.

The address of the Company's corporate and registered office is 7600 Weston Road, Unit 51, Woodbridge, Ontario, L4L 8B7.

Going concern

For the three months ended April 30, 2019 the Company incurred losses of $279,313 (2018 - $63,290) resulting in an accumulated deficit at April 30, 2019 of $1,440,581 and generated operating cash flows of $9,601 during the period. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

As a result, within the next twelve months the Company will need to generate positive cash flows from operations, and/or obtain additional equity or debt financing in order to meet its liabilities as they come due and to continue with its business activities. Subsequent to April 30, 2019 the company completed an additional convertible debenture financing for a total of $294,500 (see Note 17).

These condensed consolidated interim financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations.

Accordingly, these condensed consolidated interim financial statements have been prepared on the basis of accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Spyder Vapes Inc. (the "Company") was incorporated under the laws of the Canada Business Corporations Act on August 18, 2014. The Company is privately-held and sells electronic cigarettes, Ejuice and accessories for the "vape" business from three Canadian retail locations; Woodbridge, Scarborough and Burlington, Ontario. Subsequent to April 30, 2019, the Company is pursuing the sale of cannabis from retail stores in Alberta. The sale of cannabis in these provinces is subject to obtaining regulatory approval.

The address of the Company's corporate and registered office is 7600 Weston Road, Unit 51, Woodbridge, Ontario, L4L 8B7.

2. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34- Interim Financial Reporting. The accounting policies followed in these condensed interim financial statements are the same as those applied in the audited annual consolidated financial statements of the Company for the year ended January 31, 2019.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of May 22, 2019 (the "Report Date"), the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the condensed consolidated interim financial statements for the year ended January 31, 2020.

The condensed consolidated interim financial statements do not contain all disclosures required under IFRS and should be read in conjunction with the audited annual condensed consolidated financial statements and the notes thereto for the year ended January 31, 2019.

The preparation of interim financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds, and income taxes. Differences may be material.

Basis of measurement

These condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars which is the Company's and its subsidiaries' functional currency.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the years. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates and judgements are significant to the condensed consolidated interim financial statements interim financial statements financial statements are disclosed in Note 4.

Recently adopted accounting standard

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize all leases on the statement of Financial Position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for companies that also applies IFRS 15 Revenue from Contracts with Customers.

The Company adopted this standard on February 1, 2019 and under the new policy recorded right of use assets totaling $897,543 and a corresponding liability in the current quarter. Comparative figures for the quarter ended April 30, 2018 have not be restated and are accounted for under the old policy under IFRS 17, as permitted under the transition provisions of IFRS 16 (see Notes 4 and 6).

3 Inventory

	April 30 2019	April 30 2018
Finished goods	**$ 162,726**	$ 155,426
Inventory obsolescence	**-**	-
	$ 162,726	$ 155,426

Inventories recognized as an expense and included in cost of sales during the three months ended April 30, 2019 totaled $99,815 (2018 – $112,813).

(Expressed in Canadian Dollars)

4. Property and equipment

	Furn and equip.	Comp. equip.	Leasehold improv.	Vehicles	Website & Signs	Right of Use Assets	Total
Balance, January 31, 2019	$ 52,967	$ 21,229	$ 145,163	$ 39,644	$ 39,387	$ -	$ 298,390
Additions	-	-	-	-	-	897,543	897,543
Balance, April 30, 2019	**$ 52,967**	**$ 21,229**	**$ 145,163**	**$ 39,644**	**$ 39,387**	**$ 897,543**	**$1,195,933**
Accumulated depreciation							
Balance, January 31, 2019	$ 22,086	$ 13,703	$ 70,374	$ 27,587	$ 28,168	$ -	$ 161,918
Charge for the year	1,987	122	7,258	900	562	44,877	55,706
Balance, April 30, 2019	**$ 24,073**	**$ 13,825**	**$ 77,632**	**$ 28,487**	**$ 28,730**	**$ 44,877**	**$ 217,624**
Net book value							
January 31, 2019	$ 30,881	$ 7,526	$ 74,789	$ 12,057	$ 11,219	$ -	$ 136,472
April 30, 2019	**$ 28,894**	**$ 7,404**	**$ 67,531**	**$ 11,157**	**$ 10,657**	**$ 852,666**	**$ 978,309**

5. Trade and other payables

	April 30 2019	January 31 2019
Trade payables	**$ 22,301**	$ 63,295
Accrued liabilities	**253,102**	73,605
Salaries payable	**10,120**	5,500
Accrued interest	**144,867**	106,292
	$ 430,390	$ 248,692

6. Lease liabilities

Commencing February 1, 2019 the Company adopted IFRS 16 related to lease accounting and as such has recognized a liability associated with its right of use assets as disclosed below:

	April 30 2019	January 31 2019
Balance, February 1, 2019	**$ -**	$ -
Addtions	**897,543**	-
	897,543	-
Less Payments	**(69,933)**	-
Balance	**$ 827,610**	$ -

The lease obligations and right of use assets were calculated using the interest rate implicit in the lease where available or the Company's incremental borrowing rate which has been estimated at 12% per annum. The interest expense recognized in the current quarter associated with this liability is $26,630.

7. Loans payable

	April 30 2019	January 31 2019
Vehicle loan payable in monthly installments of $550, bearing 0% interest, maturity date of August 2021 and secured by related vehicle having a net book value of $- (2018- $17,224)	**$ 15,417**	$ 17,069
Government Guaranteed bank loan payable in monthly installments of $1,530 including interest at prime plus 3% per annum. The loan is secured by a general security agreement and is guaranteed by 2 shareholders of the Company to a maximum of 25% of the original amount advanced.	**61,560**	66,150
	76,977	83,219
Less current portion	**(24,967)**	(24,967)

Balance	**$**	**52,010**	$	58,252

(Expressed in Canadian Dollars)

8. Convertible debentures

During the year ended January 31, 2019, the Company issued the final tranche of the convertible debenture offering announced in 2018 and issued $150,000 (3,000,000 debentures at $0.05) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to related and non-related counterparties. The convertible debentures are convertible into common shares of the Company immediately prior to the completion of a going public transaction or liquidity event at a conversion price of $0.05 per common share, and upon giving effect to such conversion, all accrued and unpaid interest will be paid in full.

During the year ended January 31, 2019, the Company issued $844,985 (8,449,850 debentures at $0.10) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to related and non-related counterparties. The convertible debentures are convertible into common shares of the Company immediately prior to the completion of a going public transaction or liquidity event at a conversion price of $0.10 per common share, and upon giving effect to such conversion, all accrued and unpaid interest will be paid in full. Pursuant to this offering the Company paid cash finders' fees totaling $88,624 and incurred legal expenses totaling $43,505. In addition, the Company issued 372,493 finders' shares at $0.10 per share and also issued 387,493 finders' warrants. Each finders warrant is exercisable into a common share of the Company for $0.10 per share for a period of 2 years from issuance. The finders warrants were valued at $28,250 using a Black-Scholes option pricing model with the following assumptions: volatility of 154%, expected life of 2 years, risk-free interest rate of 1.60%, forfeiture rate of Nil, and expected dividend yield of 0%

On the initial recognition, management used the residual method to allocate the fair value of conversion option. Management calculated the fair value of the liability component as $850,575 using a discount rate of 22.5%, with the resulting residual amount of $184,410 (less deferred tax of $27,661) being the fair value of the conversion recorded in equity.

At the issuance date the convertible debentures issued in the year were recorded as follows:

Debt component	$ 810,575
Conversion option recognized in equity	184,410
Net proceeds	**$ 994,985**

During the year ended January 31, 2018, the Company issued $523,000 (10,460,000 debentures at $0.05) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to related and non-related counterparties. The convertible debentures are convertible into common shares of the Company immediately prior to the completion of a going public transaction or liquidity event at a conversion price of $0.05 per common share, and upon giving effect to such conversion, all accrued and unpaid interest will be paid in full.

On the initial recognition, management used the residual method to allocate the fair value of conversion option. Management calculated the fair value of the liability component as $426,067 using a discount rate of 22.5%, with the resulting residual amount of $96,933 (less deferred tax of $14,540) being the fair value of the conversion recorded in equity.

At the issuance date the convertible debentures issued in the prior year were recorded as follows:

Debt component	$ 426,067
Conversion option recognized in equity	96,933
Net proceeds	**$ 523,000**

The debt component is being accreted using the effective interest rate method:

	April 30 2019	January 31 2019
Opening Balance	**$ 1,170,988**	$ 445,831
Issuance	**-**	810,575
Expenses of issuance	**-**	(190,646)
Accretion	**29,100**	105,228
Closing Balance	**$ 1,200,088**	$ 1,170,988

(Expressed in Canadian Dollars)

9. Share capital

The Company is authorized to issued unlimited number of common shares.

	#	$
Balance, January 31, 2018	**7,300,000**	**730**
Issued for cash	420,000	42,000
Finders shares issued with convertible debentures	372,493	37,249
Balance April 30, 2019 and January 31, 2019	**8,092,493**	**79,979**

During the year ended January 31, 2019 the Company issued 420,000 common shares at $0.10 per share for cash proceeds of $42,000.

During the year ended January 31, 2019 the Company issued 372,493 Finders' common shares at $0.10 per share for $37,243.

In addition, to the outstanding stock options and warrants as more fully described below, the Company has reserved 21,909,850 common shares for issuance on conversion of the convertible debentures as described in Note 8.

10. Share based payments

On September 1, 2017, the Company established a stock-based compensation plan (the "Plan") which provides for the granting of incentive share options, non-statutory share options, share appreciation rights, restricted share awards, restricted share unit awards, and other share awards (collectively "Share Awards") to selected directors, employees and consultants for a period of 5 years from the establishment of the Plan. The Plan is intended to help the Company secure and retain the services and provide incentives for increased efforts for the success of the Company.

The Board of Directors grants Share Awards from time to time based on its assessment of the appropriateness of doing so considering the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract key personnel, the number of Share Awards already outstanding and overall market conditions.

The number of common shares reserved for issuance under the Plan is fixed at a maximum of ten percent of issued and outstanding common shares (the "Share Reserve"). Repurchase or return of previously issued shares to the Plan increases the number of shares available for issue.

The fair value of options granted during the year ended January 31, 2019 was estimated on the date of the grant using the Black-Scholes option pricing model with the following:

Grant date	**September 4, 2018**
Number of options granted	200,000
Grant date share price	$0.10
Exercise price	$0.10
Expected volatility	154%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.60%
Forfeiture rate	0%
Fair value per option	$0.092

Grant date	**October 10, 2018**
Number of options granted	500,000
Grant date share price	$0.10
Exercise price	$0.10
Expected volatility	154%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.60%

(Expressed in Canadian Dollars)

Forfeiture rate	0%
Fair value per option	$0.092

Grant date	**November 1, 2018**
Number of options granted	600,000
Grant date share price	$0.10
Exercise price	$0.10
Expected volatility	154%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.60%
Forfeiture rate	0%
Fair value per option	$0.092

The fair value of options granted during the year ended January 31, 2018 was estimated on the date of the grant using the Black-Scholes option pricing model with the following:

Grant date	**September 1, 2017**
Number of options granted	2,000,000
Grant date share price	$0.10
Exercise price	$0.05
Expected volatility	230%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.59%
Forfeiture rate	0%
Fair value per option	$0.099

Total stock-based compensation recorded during the three month period ended April 30, 2019 was $- (January 31, 2019 - $197,000).

A summary of the Company's options outstanding at January 31 is as follows:

		2019			2018	
	Number	**Exercise Price**	**Remaining Contractual Life**	Number	Exercise Price	Remaining Contractual Life
Balance, beginning of the year	**2,000,000**	**0.05**	**3.67**	-	-	-
Granted	**1,300,000**	**0.10**	**4.71**	2,000,000	0.05	4.67
Balance, end of the year	**3,300,000**	**0.07**	**4.03**	2,000,000	0.05	4.67
Exercisable, end of the year	**3,300,000**	**0.07**	**4.03**	2,000,000	0.05	4.67

At April 30, 2019, all 3,300,000 (2018 – 2,000,000) outstanding options are fully vested.

(Expressed in Canadian Dollars)

11. Warrants

Pursuant to the debenture financings in the current year, which closed in November and December 2018, as more fully described in Note 8, the Company issued 387,493 finders warrants. Each warrant is exercisable at a price of $0.10 into one common share for a period of two years from issuance.

The fair value of warrants granted during the year ended January 31, 2019 was estimated on the date of the grant using the Black-Scholes option pricing model with the following:

Number of warrants issued	387,493
Grant date share price	$0.10
Exercise price	$0.10
Expected volatility	154%
Expected life (years)	2
Expected dividend yield	0%
Risk-free interest rate	1.60%
Forfeiture rate	0%
Fair value per warrant	$0.073

A summary of the Company's warrants outstanding at April 30 is as follows:

	2019			2018		
	Number	**Exercise Price**	**Remaining Contractual Life**	Number	Exercise Price	Remaining Contractual Life
Balance, beginning of the year	**387,493**	**0.10**	**1.83**	-	-	-
Granted	**-**	**-**	**-**	-	-	-
Balance, end of the year	**387,493**	**0.10**	**1.58**	-	-	-
Exercisable, end of the year	**387,493**	**0.10**	**1.58**	-	-	-

12. General administrative expenses

The break-down of the Company's general administrative expenses is as follows:

	April 30 2019	April 30 2018
Amortization (Note 4)	**$ 55,705**	$ 12,023
Professional fees	**122,731**	5,479
Rental	**(14,407)**	30,089
Salaries, wages and benefits	**76,589**	64,955
Stock-based compensation (Note 10)	**-**	-
Bank charges	**-**	-
Insurance	**5,406**	1,933
Lease walk-away	**-**	-
Telephone, website and internet	**4,463**	5,352
Other	**35,552**	6,863
	$ 286,039	$ 126,694

(Expressed in Canadian Dollars)

13. Finance charges

Finance charges are comprised of the following:

	April 30 2019	April 30 31 2018
Interest on loans payable	**$ 1,761**	$ 4,111
Interest on lease liabilities	**26,632**	**-**
Interest on convertible debentures	**38,575**	16,595
Accretion (Note 8)	**29,100**	-
	$ 96,068	$ 20,706

14. Capital management

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to its shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and,
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. the Company is not subject to any externally imposed capital requirements or covenants.

The Company's capital structure consists of equity and working capital. In order to maintain or alter the capital structure, the Company may adjust capital spending, raise new debt and issue share capital.

15. Financial instruments and risk management

Fair value

Financial instruments of the Company consist of cash, trade and other payables, advances to/from shareholders', convertible debentures and loans payable. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the statements of financial position and their estimated fair values due to the short-term nature of these items and convertible debentures and loans payable approximate their fair value as terms and conditions represent market terms and conditions.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk

The Company is exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its loans payable balance which accrues interest at a variable rate. Fluctuations in market rates do not have a significant impact on the Company's results of operations.

Credit risk

The Company is exposed to credit risk on its cash balance which is held with reputable financial institutions. As at January 31, 2018, management considered the Company's credit risk in relation to such financial assets to be low.

Liquidity risk

The Company is exposed to liquidity risk. Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they fall due. the Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. the Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing.

Undiscounted contractual cash outflow of financial liabilities based on maturity date are as follows:

April 30, 2019	**1 year**	**2 to 5 years**	**>5 years**	**Total**
Trade and other payables	$ 430,390	$ -	$ -	$ 430,390
Lease Liabilities	116,650	446,550	264,410	827,610
Loans payable	24,967	52,010	-	76,977
Convertible debentures	-	1,517,895	-	1,517,895
	$ 572,007	$ 2,016,455	$ 264,410	$ 2,852,872

Foreign currency risk

Foreign exchange risk arises from the changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. For the Company, it is the Canadian dollar denominated expenditures which presents the risk as the cash flows are denominated in Canadian dollars. An increase in the value of the Canadian dollar as compared to the US dollar will increase the net cash outflow relating to expenditures.

16. Related party transactions

Key management personnel compensation

the Company defines key management personnel as being the Chief Executive Officer and Chief Financial Officer. the Company doesn't provide non-cash benefits to the key management.

Key management compensation for the three months ended April 30 is as follows:

	2019	2018
Stock-based compensation	**$ -**	$ -
Salaries and other short-term employee benefits	**$ 15,600**	$ 1,860

Other related party transactions and balances:

Included in the total Convertible debentures issued to date are amounts with a face value of $323,000 issued to related parties.

17. Subsequent events

Application for retail cannabis licenses

The Company through its newly incorporated subsidiary Green Spyder Inc. (incorporated on June 8, 2018 in the province of Alberta), has submitted an application for a maximum of 1 retail cannabis license in Alberta.

Qualifying transaction

The Company signed a binding agreement with Anchor Capital Corporation (“Anchor”) a Canadian Public Company which outlines the terms of a reverse take-over (“RTO”) by the Company of Anchor. On the closing date, the Company’s and Anchor’s common share will be exchanged for an equivalent number of shares in the amalgamated corporation. The transactions closed on May 31, 2019. As a part of the Qualifying Transaction, the Company amalgamated with 11304372 Canada Inc. (“Acquisition Co”), a wholly-owned subsidiary of Anchor formed solely for the purpose of facilitating the three-cornered amalgamation (the “Amalgamation”) in connection with the Qualifying Transaction. In accordance with the terms of the Amalgamation, Anchor purchased all of the issued and outstanding common shares of the Company Spyder (each, a “Private Spyder Share”) on the basis of one (1) common share in the capital of Anchor (each, a “New Spyder Share”) for each one (1) Private Spyder Share outstanding immediately prior to the Amalgamation. In addition, Anchor, as the resulting issuer, also changed its name from “Anchor Capital Corporation” to “Spyder Cannabis Inc.”

Upon closing of the Amalgamation, the Corporation has 39,938,375 New Spyder Shares issued and outstanding and 5,230,561 New Spyder Shares reserved for issuance. The New Spyder Shares reserved for issuance include 1,379,161 warrants and 3,851,400 stock options. Further, following closing of the Amalgamation, (i) the former shareholders of the Company own approximately 88.7% of the issued and outstanding New Spyder Shares, (ii) the principals of Private Spyder collectively hold 12,644,986 New Spyder Shares and 1,400,000 stock options

Subsequent convertible debenture financing

Subsequent to year end the Company completed a further tranche of the convertible debenture financing disclosed in note 10 and issued $294,500 (1,963,333 debentures at $0.15) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to non-related counterparties. The convertible debentures are convertible into common shares of the Company immediately prior to the completion of a going public transaction or liquidity event at a conversion price of $0.15 per common share, and upon giving effect to such conversion, all accrued and unpaid interest will be paid in full. Pursuant to this offering the Company paid cash finders' fees totaling $1,600 and issued 10,667 finder's warrants. Each finder's warrant is exercisable into a common share of the Company for $0.15 per share for a period of 2 years from issuance.