

**Spyder Cannabis Inc.**  
**Condensed Consolidated Interim Financial Statements**  
**For the three and six month periods ended July 31, 2019 and 2018**  
**(expressed in Cdn \$)**  
**UNAUDITED**

**Responsibility for interim financial statements**

The accompanying condensed consolidated interim financial statements for Spyder Cannabis 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 July 31, 2019.

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

	July 31 2019 Unaudited	January 31 2019 Audited
<b>ASSETS</b>		
<b>Current:</b>		
Cash	\$ 279,218	\$ 81,532
Guaranteed investment certificate	-	400,000
Sales tax receivable	64,589	40,473
Inventory (Note 3)	155,425	155,426
Deferred finance charges	-	-
Prepaid expenses	52,603	191,478
	<u>551,835</u>	<u>868,909</u>
<b>Non-current assets</b>		
Property and equipment (Note 4)	930,070	136,472
Total non-current assets	<u>930,070</u>	<u>136,472</u>
	<u>\$ 1,481,905</u>	<u>\$ 1,005,381</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current:</b>		
Trade and other payables (Note 5)	\$ 197,966	\$ 248,692
Loan payable -current (Note 7)	124,967	24,967
Total current liabilities	<u>322,933</u>	<u>273,659</u>
<b>Non-current liabilities:</b>		
Lease liabilities - Right of use assets (Note 6)	635,533	-
Loan payable (Note 7)	45,834	58,252
Convertible debentures (Note 8)	-	1,170,988
Total non-current liabilities	<u>681,367</u>	<u>1,229,240</u>
	<u>1,004,300</u>	<u>1,502,899</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share Capital (Note 9)	2,229,417	79,979
Warrants (Note 11)	28,250	28,250
Equity component of convertible debentures (Note 8)	-	239,142
Contributed Surplus (Note 10)	401,279	316,379
Deficit	(2,181,341)	(1,161,268)
	<u>477,605</u>	<u>(497,518)</u>
	<u>\$ 1,481,905</u>	<u>\$ 1,005,381</u>

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

Approved on behalf of the Board on September 20, 2019:

"Mark Pelchovitz"  
Director

Daniel Pechovitz  
Director

**Spyder Cannabis Inc.****Condensed Consolidated Interim Statement of Loss and Comprehensive Loss****For the three and six month periods ended July 31, 2019 and 2018****(Expressed in Canadian Dollars)****UNAUDITED**

	Three months ended		Six month ended	
	July 31		July 31	
	2019	2018	2019	2018
Sales	\$ 222,941	\$ 241,032	\$ 447,806	\$ 439,049
Cost of sales	149,324	99,819	249,139	212,632
Gross profit	73,617	141,213	198,667	226,417
<b>Expenses:</b>				
Marketing	63,611	3,324	85,867	4,418
Finance charges <i>(Note 13)</i>	30,399	15,256	126,467	35,962
General administration <i>(Note 12)</i>	368,690	215,603	654,729	342,297
Total expenses	462,700	234,183	867,063	382,677
Operating loss	(389,083)	\$ (92,970)	(668,396)	\$ (156,260)
Loss and comprehensive loss for the period	\$ (389,083)	\$ (92,970)	\$ (668,396)	\$ (156,260)
Net loss per share - basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted	18,709,812	7,610,939	18,709,812	7,610,939

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

	<b>Shares \$ Amount</b>	<b>Reserves</b>	<b>Equity component of Conv Deb.</b>	<b>Deficit</b>	<b>Total Equity</b>
Balance January 31, 2018	\$ 730	\$ 96,933	197,000	\$ (555,410)	\$ (260,747)
Net loss for period			-	(156,260)	(156,260)
Shares issued	42,000	-	-	-	42,000
Equity portion of convertible debentures	-	28,728	-	-	28,728
Balance July 31, 2018	\$ 42,730	125,661	\$ 197,000	\$ (711,670)	\$ (346,279)
Balance January 31, 2019	\$ 79,979	\$ 344,629	\$ 239,142	\$ (1,161,268)	\$ (497,518)
Net loss for the period		-	-	(668,396)	(668,396)
Shares issued on conversion of Convertible debentures	1,855,216	-	(239,142)	-	1,616,074
Common shares issued for services	10,000	-	-	-	10,000
Amounts on amalgamation	284,222	84,900	-	(351,677)	17,445
Balance July 31, 2019	\$ 2,229,417	\$ 429,529	-	\$ (2,181,341)	\$ 477,605

**Spyder Cannabis Inc.**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**For the six month period ended July 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**  
**UNAUDITED**

	2019	2018
Cash was provided by (used in) the following activities:		
<b>Operating activities</b>		
Net loss for the period	\$ (668,396)	\$ (156,260)
Items not requiring an outlay of cash:		
Amortization <i>(Note 4)</i>	94,937	22,706
Accretion <i>(Note 13)</i>	29,100	27,522
Interest on Right of use assets	47,669	-
Foreign exchange	-	227
<b>Change in non-cash working capital:</b>		
Deferred finance charges	-	(8,500)
Sales tax receivable	(24,116)	26,565
Inventory	-	(33,508)
Prepaid expenses and deposits	138,875	(24,110)
Trade and other payables	(50,726)	(2,919)
Shareholder (repayments) advances	-	-
<b>Cash flows provided by (used in) operating activities</b>	<b>(432,657)</b>	<b>(148,277)</b>
<b>Financing activities</b>		
Interest payable	-	(9,308)
Loans payable	87,582	(12,483)
Loan Right of Use Assets, net	706,146	-
Net cash proceeds from convertible debentures <i>(Note 10)</i>	294,500	155,000
Capital stock issued	10,000	42,000
<b>Cash flows provided by (used in) financing activities</b>	<b>1,098,228</b>	<b>175,209</b>
<b>Investing activities</b>		
Guaranteed investment certificates purchased	400,000	-
Purchase of property and equipment <i>(Note 4)</i>	(888,533)	(917)
<b>Cash flows provided by (used in) investing activities</b>	<b>(488,533)</b>	<b>(917)</b>
Increase (decrease) in cash during the period	177,038	26,015
Cash and cash equivalents, beginning of period	81,532	121,974
Cash received on amalgamation	20,648	-
<b>Cash and cash equivalents, end of period</b>	<b>\$ 279,218</b>	<b>\$ 147,989</b>

## **Spyder Cannabis Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and six month periods ended July 31, 2019 and 2018**

**(Expressed in Canadian Dollars)**

**UNAUDITED**

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#### **1. Nature of business and Going Concern**

Spyder Cannabis Inc. (the "Company") was incorporated under the laws of the Canada Business Corporations Act on August 18, 2014. The Company is publicly-held and sells electronic cigarettes, cannabis supplies, Ejuice and accessories for the "vape" business from five Canadian retail locations; Woodbridge, Scarborough, Burlington, Pickering and Niagra Falls, Ontario. 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 Company is also pursuing the sale of hemp based CBD products from locations in the USA.

##### 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. ("AcquisitionCo"), 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 issued 40,025,331 New Spyder Shares 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

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

##### **Going concern**

For the six months ended July 31, 2019 the Company incurred losses of \$668,396 (2018 - \$156,260) resulting in an accumulated deficit at July 31, 2019 of \$2,181,341 and generated operating cash deficit of \$432,657 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.

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.

#### **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

## Spyder Cannabis Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six month periods ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

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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 September 20, 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, 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.

#### 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 \$706,146 and a corresponding liability in the current quarter. Comparative figures for the quarter ended July 31, 2019 have not been 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

	July 31 2019	July 31 2018
Finished goods	\$ 155,425	\$ 128,547
Inventory obsolescence	-	-
	<b>\$ 155,425</b>	<b>\$ 128,547</b>

Inventories recognized as an expense and included in cost of sales during the six months ended July 31, 2019 totaled \$249,139 (2018 – \$212,632).

## Spyder Cannabis Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars)

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#### 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	28,240	1,059	147,880	-	5,208	706,146	888,533
<b>Balance, July 31, 2019</b>	<b>\$ 81,207</b>	<b>\$ 22,288</b>	<b>\$ 293,043</b>	<b>\$ 39,644</b>	<b>\$ 44,595</b>	<b>\$ 706,146</b>	<b>\$1,186,923</b>
<b>Accumulated depreciation</b>							
Balance, January 31, 2019	\$ 22,086	\$ 13,703	\$ 70,374	\$ 27,587	\$ 28,168	\$ -	\$ 161,918
Charge for the year	3,441	1,169	16,981	1,800	1,160	70,384	94,935
<b>Balance, July 31, 2019</b>	<b>\$ 25,527</b>	<b>\$ 14,872</b>	<b>\$ 87,355</b>	<b>\$ 29,387</b>	<b>\$ 29,328</b>	<b>\$ 70,384</b>	<b>\$ 256,853</b>
<b>Net book value</b>							
January 31, 2019	\$ 30,881	\$ 7,526	\$ 74,789	\$ 12,057	\$ 11,219	\$ -	\$ 136,472
<b>July 31, 2019</b>	<b>\$ 55,680</b>	<b>\$ 7,416</b>	<b>\$ 205,688</b>	<b>\$ 10,257</b>	<b>\$ 15,267</b>	<b>\$ 635,762</b>	<b>\$ 930,070</b>

#### 5. Trade and other payables

	July 31 2019	January 31 2019
Trade payables	\$ 37,566	\$ 63,295
Accrued liabilities	150,400	73,605
Salaries payable	10,000	5,500
Accrued interest	-	106,292
	<b>\$ 197,966</b>	<b>\$ 248,692</b>

#### 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	\$ -	\$ -
Additions	706,146	-
	<b>706,146</b>	<b>-</b>
<b>Less Payments</b>	<b>(70,613)</b>	<b>-</b>
<b>Balance</b>	<b>\$ 635,533</b>	<b>\$ -</b>

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 \$47,669.

#### 7. Loans payable

	July 31 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)	\$ 13,765	\$ 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.	57,036	66,150
Loan payable, unsecured, due on demand from a director	100,000	-
	<b>170,801</b>	<b>83,219</b>
<b>Less current portion</b>	<b>(124,967)</b>	<b>(24,967)</b>
<b>Balance</b>	<b>\$ 45,834</b>	<b>\$ 58,252</b>



## Spyder Cannabis Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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#### 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.

During the period the Company completed a further tranche of the convertible debenture financing 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.

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

Debt component	\$ 810,575
Conversion option recognized in equity	184,410
<b>Net proceeds</b>	<b>\$ 994,985</b>

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.

## Spyder Cannabis Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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

Debt component	\$ 426,067
Conversion option recognized in equity	96,933
<b>Net proceeds</b>	<b>\$ 523,000</b>

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

	July 31 2019	January 31 2019
<b>Opening Balance</b>	<b>\$ 1,170,988</b>	<b>\$ 445,831</b>
Issuance	294,500	810,575
Expenses of issuance	-	(190,646)
Accretion	29,100	105,228
Converted to Common shares	(1,494,588)	-
<b>Closing Balance</b>	<b>\$ -</b>	<b>\$ 1,170,988</b>

## 9. Share capital

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

	#	\$
<b>Balance, January 31, 2019</b>	<b>8,092,493</b>	<b>79,979</b>
Issued for cash	1,963,333	294,500
Issued on amalgamation	4,514,000	284,222
Issued for services	86,956	10,000
Issued on conversion of convertible debentures	25,368,549	1,560,716
<b>Balance July 31, 2019</b>	<b>40,025,331</b>	<b>2,229,417</b>

## 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:

<b>Grant date</b>	<b>September 4, 2018</b>
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

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<b>Grant date</b>	<b>October 10, 2018</b>
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%
Forfeiture rate	0%
Fair value per option	\$0.092

<b>Grant date</b>	<b>November 1, 2018</b>
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:

<b>Grant date</b>	<b>September 1, 2017</b>
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 six month period ended July 31, 2019 was \$- (January 31, 2019 - \$197,000).

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

	<b>2019</b>		
	<b>Number</b>	<b>Exercise Price</b>	<b>Remaining Contractual Life</b>
Balance, beginning of the period	<b>3,300,000</b>	<b>0.07</b>	<b>4.03</b>
Granted	-	-	-
Balance, end of the period	<b>3,300,000</b>	<b>0.07</b>	<b>3.53</b>

At July 31, 2019, all 3,300,000 outstanding options are fully vested.

## Spyder Cannabis Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six month periods ended July 31, 2019 and 2018

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#### 11. Warrants

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 July 31, 2019 and 2018 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:

	July 31 2019	July 31 2018
Amortization (Note 4)	\$ 94,937	\$ 22,706
Professional fees	269,779	33,488
Rental	40,528	67,103
Salaries, wages and benefits	175,610	140,644
Other	73,875	78,356
	\$ 654,729	\$ 342,297

#### 13. Finance charges

Finance charges are comprised of the following:

	July 31 2019	July 31 2018
Interest on loans payable	\$ 5,407	\$ 2,404
Interest on lease liabilities	47,669	-
Interest on convertible debentures	44,291	33,558
Accretion (Note 8)	29,100	-
	\$ 126,467	\$ 35,962

## **Spyder Cannabis Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the three and six month periods ended July 31, 2019 and 2018**

**(Expressed in Canadian Dollars)**

**UNAUDITED**

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#### **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 July 31, 2019, 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.

## Spyder Cannabis Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six month periods ended July 31, 2019 and 2018

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#### *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 six months ended July 31, 2019 and 2018 is as follows:

	2019	2018
Stock-based compensation	\$ -	\$ -
Salaries and other short-term employee benefits	\$ 31,200	\$ 31,200

### Other related party transactions and balances:

Included in the Loans payable is an unsecured \$100,000 loan from a director.

## 17. Subsequent events

### Application for retail cannabis licenses

The Company through its subsidiary Green Spyder Inc. (incorporated on June 8, 2018 in the province of Alberta), has submitted applications for 2 retail cannabis licence in Alberta.