SPYDER CANNABIS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED APRIL 30, 2021

Prepared as at June 29, 2021

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") reflects management's assessment of Spyder Cannabis Inc.'s ("Spyder" or the "Company") financial and operating results for the three months ended April 30, 2021. This document should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended April 30, 2021 and the audited consolidated financial statements for the year ended January 31, 2021. The financial statements and the financial information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

This MD&A is prepared by management as at June 29, 2021. All amounts are expressed in Canadian dollars, unless otherwise noted.

Reference should also be made to the Company's filings with Canadian securities regulatory authorities, which are available at www.sedar.com.

Disclaimer

Certain statements contained in the following MD&A constitute "forward-looking statements" (within the meaning of the Canadian securities legislation) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding future events, developments, acquisitions, capital expenditures, timelines, strategic plans or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in continued availability of capital and financing; dependence on key personnel; uncertainties related to the Company's discoveries and product development; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

Overview

Nature of Business

Spyder Cannabis Inc. (formerly, Anchor Capital Corporation) was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on February 20, 2014. The Company is an established cannabis and vape retailer that sells cannabis products, vape and nicotine-related products, herbal vaporizers, other smoking cessation products and accessories where regulations permit. The Company's retail locations are currently located in the provinces of Ontario and Alberta and operate under the SPDR Cannabis, Spyder Vapes and 180 Smoke retail platforms. The Company's corporate and registered office is 7600 Weston Road, Unit 51, Woodbridge, Ontario, L4L 8B7. The Company's common shares currently trade on the TSX Venture Exchange ("TSX-V") under the symbol "SPDR".

Overall Performance

On May 31, 2019, the Company completed the acquisition of Spyder Vapes Inc. ("Spyder Vapes"), a privately held company incorporated on August 18, 2014. The Company acquired all of the issued and outstanding common shares of Spyder Vapes through a reverse takeover transaction (the "RTO"), which was affected pursuant to a merger agreement between Anchor Capital Corporation and Spyder Vapes Inc. As part of the RTO, 11304372 Canada Inc. ("Acquisition Co"), was formed as a wholly-owned subsidiary of the Company solely for the purpose of facilitating the three-cornered amalgamation (the "Amalgamation") in connection with the RTO. Pursuant to the Amalgamation, the Company purchased all of the issued and outstanding common shares of Spyder Vapes on the basis of one (1) common share in the capital of the Company for each issued and outstanding common share of Spyder Vapes immediately prior to the Amalgamation. In addition, the Company, as the resulting issuer, also changed its name from "Anchor Capital Corporation" to "Spyder Cannabis Inc."

Upon closing of the Amalgamation, the Company issued 40,025,331 common shares of the Company, warrants for the purchase of 1,379,828 common shares of the Company and options for the purchase of 3,851,400 common shares of the Company. Furthermore, following the closing of the Amalgamation, (i) the former shareholders of Spyder Vapes owned approximately 88.7% of the issued and outstanding common shares of the Company, and (ii) the principals of Spyder Vapes collectively held 12,644,986 common shares and options for the purchase of 1,400,000 common shares of the Company.

On June 11, 2019, the Company’s common shares began trading on the TSX-V under the symbol “SPDR”.

On August 29, 2019, the Company announced it had entered into a purchase agreement with an arm's length party to acquire an interest in a development permit (the “Development Permit”). The net costs incurred to acquire the Development Permit amounted to $163,833. The consideration was paid by an issuance of 3,000,000 common shares of the Company amounting to $175,000, net of cash recovery of $11,167. The transaction was completed on November 12, 2019.

On May 12, 2020, the Company announced that its wholly-owned subsidiary, Spyder Cannabis Subco Inc. (“Spyder Subco”), received its cannabis *Retail Operator License* from the Alcohol and Gaming Commission of Ontario (the “AGCO”).

On June 28, 2020, the Company announced that Spyder Subco received *Retail Store Authorization* from the AGCO for its cannabis dispensary located at 6474 Lundy’s Lane, Niagara Falls, Ontario. The dispensary opened for business on August 8, 2020.

On July 29, 2020, the Company announced that its wholly-owned subsidiary, The Green Spyder Inc. (the “Green Spyder”), received its *Retail Cannabis Store License* from the Alberta Gaming, Liquor and Cannabis Commission (the “AGLC”) for its cannabis dispensary located at 104-58th Avenue SE, Calgary, Alberta. The dispensary opened for business on September 26, 2020 and was subsequently closed due to the COVID-19 pandemic. The Company plans to reopen the dispensary when deemed appropriate.

On August 25, 2020, the Company completed a debt settlement transaction, pursuant to which it issued, to certain creditors of the Company, an aggregate of 3,872,000 common shares of the Company at a price of $0.05 per common share in settlement of an aggregate of $193,600 in indebtedness of the Company.

On February 17, 2021, and in connection with options previously issued options for the purchase of 175,500 common shares of the Company were exercised at a price of $0.10 per common share for total gross proceeds of $17,550.

On March 16, 2021, the Company completed a debt settlement transaction (the "Debt Settlement"), pursuant to which the Company issued, to certain creditors of the Company, an aggregate of 9,966,666 common shares of the Company, at a deemed price of $0.03 per share, in settlement of an aggregate of $299,000 in indebtedness of the Company. Certain directors of the Company participated in the Debt Settlement and acquired an aggregate of 7,933,332 common shares of the Company in settlement of an aggregate of approximately $237,997 in indebtedness of the Company.

On March 30, 2021, the Company acquired (the "Acquisition") all of the issued and outstanding common shares of the entities that collectively comprise the business of 180 Smoke (collectively, "180 Smoke"), a dominant vape retailer in Canada, namely: (i) 2360149 Ontario Inc. d/b/a 180 Smoke and its wholly-owned subsidiaries 420 Wellness Inc. and 180 Smoke LLC; (ii) 180 VFC Inc.; and (iii) 2488004 Ontario Inc. The Acquisition was completed with an arm's length party on a cash-free basis (after post-closing adjustments), for a nominal consideration of $1.

On April 1, 2021, the Company completed a non-brokered private placement offering (the "Offering") through the issuance of 14,814,814 units ("Units") of the Company, at a price of $0.0675 per Unit, for total gross proceeds of approximately $1,000,000. Each Unit consisted of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.135 per common share at any time prior to the earlier of: (i) April 1, 2023; or (ii) in the event that the closing price of the Company's common shares on the TSX-V is at least $0.20 for a minimum of 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants requiring them to exercise such Warrants within 30 days following the date of issuance of such written notice. A director of the Company participated in the Offering and received 150,000 Units for an aggregate subscription of $10,125.

Subsequent Events

On May 7, 2021, the board of directors of the Company (the "Board" or "Board of Directors") appointed Cameron Wickham as Director, Chief Executive Officer and Corporate Secretary of the Company and Ankit Gosain as Chief Financial Officer of the Company. Daniel Pelchovitz, the Company's former Chief Executive Officer, continued with the Company as a Director and as Chief Executive Officer of the Company's Cannabis Division. Mark Pelchovitz, the Company's former Chief Financial Officer and Corporate Secretary, continued with the Company as a Director. The Board also appointed Mark Pelchovitz as Executive Chair of the Board and Cameron Wickham as Executive Vice Chair of the Board. Furthermore, the Board also appointed Steven Glaser, Mark Pelchovitz and Cameron Wickham to serve as members of the Audit Committee of the Board, with Steven Glaser to serve as Chair of the Audit Committee.

On May 17, 2021, and in connection with options previously issued options for the purchase of 2,000,000 common shares of the Company were exercised at a price of $0.05 per common share for total gross proceeds of $100,000.

On May 21, 2021, the Company announced the appointment of Christina Pan as Chief Operating Officer of the Company.

On May 21, 2021, the Company granted and issued stock options for the purchase of up to 2,575,000 common shares of the Company to certain Company's employees, officers and directors. These stock options are exercisable for a period of four years from the date of issuance with an exercise price of $0.10 per common share.

On May 27, 2021, the Company announced that Spyder Subco received *Retail Store Authorization* from the AGCO for its cannabis dispensary located at 776 Liverpool Rd., Unit 4, Pickering, Ontario. The dispensary opened for business on June 25,2021.

Selected Financial Information

The following table summarizes financial information for the three months ended April 30, 2021 and the preceding seven quarters:

Quarter Ended	Apr 30, 2021	Jan 31, 2021	Oct 31 2020	Jul 31 2020	Apr 30 2020	Jan 31, 2020	Oct 31 2019	Jul 31 2019
	$	$	$	$	$	$	$	$
Revenue	2,024,938	670,929	497,734	34,259	73,202	139,744	169,379	222,941
Loss from continuing operations	(217,470)	(397,415)	(175,717)	(390,506)	(345,980)	(1,255,410)	(255,363)	(389,083)
Net loss per share – basic and diluted	0.01	0.01	0.01	0.01	0.01	0.03	0.01	0.02

Results of Operations for the Three Months Ended April 30, 2021

The unaudited condensed interim consolidated financial statements of the Company have been prepared using IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. 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 consolidated 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 consolidated 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.

Operations

The following table summarizes the Company's expenses and net and comprehensive loss for the three months ended April 30, 2021 and 2020:

	2021	2020
	$	$
Revenue	**2,024,938**	73,202
Cost of goods sold	**1,200,627**	43,319
Gross profit	**824,311**	29,883
Expenses		
General administration	**976,940**	328,567
Finance charges	**111,027**	47,296
Total expenses	**1,087,967**	375,863
Other income	**46,186**	-
	(217,470)	(345,980)

Revenue

Total revenue for the three months ended April 30, 2021 and 2020 amounted to $2,024,938 and $73,202, respectively. The increase in revenue during the three months ended April 30, 2021 as compared to 2020 was primarily attributable to the acquisition of 180 Smoke and the opening of the Company's dispensaries as discussed above.

Cost of goods sold

Cost of goods sold for the three months ended April 30, 2021 and 2020 amounted to $1,200,627 and $43,319, respectively. The increase in cost of goods sold during the three months ended April 30, 2021 as compared to 2020 was attributable to increased revenue as discussed above.

General administration expenses

General administration expenses for the three months ended April 30, 2021 and 2020 was comprised of the following:

	2021	2020
	$	$
Salaries and wages	**406,280**	66,984
Office and general	**141,324**	38,372
Delivery	**87,855**	-
Rent and utilities	**86,125**	52,701
Professional fees	**62,755**	34,481
Advertising and promotion	**16,286**	150
Investor relations	**12,632**	-
Repairs and maintenance	**9,069**	-
Insurance	**7,584**	6,972
Foreign exchange gain	**(2,259)**	-
Amortization	**5,132**	-
Depreciation	**28,051**	78,746
Depreciation of right-of-use assets	**116,106**	50,161
	976,940	328,567

Salaries and wages

Salaries and wages for the three months ended April 30, 2021 and 2020 amounted to $406,280 and $66,984, respectively. The increase in salaries and wages during the three months ended April 30, 2021 as compared to 2020 was a result of the acquisition of 180 Smoke.

Office and general

Office and general expense for the three months ended April 30, 2021 and 2020 amounted to $141,324 and $38,372, respectively. The increase in office and general expense during the three months ended April 30, 2021 as compared to 2020 was a result of the Company's overall increased business activity as a result of the opening of the Company's dispensaries in Ontario and the acquisition of 180 Smoke.

Delivery

Delivery expense for the three months ended April 30, 2021 and 2020 amounted to $87,855 and $nil, respectively. Delivery expense for the three months ended April 30, 2021 related to delivery costs related to 180 Smoke's e-commerce platform.

Rent and utilities

Rent and utilities expense for the three months ended April 30, 2021 and 2020 amounted to $86,125 and $52,701, respectively. The increase in rent and utilities expense during the three months ended April 30, 2021 as compared to 2020 was due to the Company's overall increased business activity as a result of the opening of the Company's dispensaries in Ontario and the acquisition of 180 Smoke.

Professional fees

Professional fees for the three months ended April 30, 2021 and 2020 amounted to $62,755 and $34,481, respectively. The increase in professional fees during the three months ended April 30, 2021 as compared to 2020 was a result of additional legal and professional fees incurred related to the Company's acquisition of 180 Smoke and other general corporate matters.

Advertising and promotion

Advertising and promotion expense for the three months ended April 30, 2021 and 2020 amounted to $16,286 and $150, respectively. The increase in advertising and promotion expense during the three months ended April 30, 2021 was a result of the Company increased marketing efforts resulting from the acquisition of 180 Smoke.

Investor relations

Investor relations expense for the three months ended April 30, 2021 and 2020 amounted to $12,632 and $nil, respectively. Investor relations expense during the three months ended April 30, 2021 was a result of the Company's need for capital markets support.

Repairs and maintenance

Repairs and maintenance expense for the three months ended April 30, 2021 and 2020 amounted to $9,069 and $nil, respectively. Repairs and maintenance expense during the three months ended April 30, 2021 was in relation to general repairs and maintenance required on the Company's property and equipment.

Insurance

Insurance expense for the three months ended April 30, 2021 and 2020 amounted to $7,584 and $6,972, respectively. Insurance expense relates to coverage for the Company’s leased premises.

Foreign Exchange

The Company recorded a foreign exchange gain of $2,259 for the three months ended April 30, 2021 as compared to $nil for the three months ended April 30, 2020.

Amortization

Amortization expense for the three months ended April 30, 2021 and 2020 amounted to $5,132 and $nil, respectively. Amortization expense relates to the Company’s intangible assets.

Depreciation

Depreciation expense for the three months ended April 30, 2021 and 2020 amounted to $28,051 and $78,746, respectively. Depreciation expense relates to the Company’s property and equipment located at the Company’s leased premises. The decrease in depreciation expense during the three months ended April 30, 2021 was a result of the impairment of certain property and equipment during the year ended January 31, 2021 resulting in a lower asset cost base in the current period.

Depreciation of right-of-use assets

Depreciation of right-of-use assets for the three months ended April 30, 2021 and 2020 amounted to $116,106 and $50,161, respectively. Depreciation of right-of-use assets relates to the Company’s leased premises.

Finance charges

Finance charges for the three months ended April 30, 2021 and 2020 was comprised of the following:

	2021	2020
	$	$
Interest on loans payable	**28,088**	21,282
Interest on lease liabilities	**78,283**	26,014
Accretion	**4,656**	-
	111,027	47,296

Interest on loans payable

Interest on loans payable for the three months ended April 30, 2021 and 2020 amounted to $28,088 and $21,282, respectively. Interest on loans payable relates to interest charged on loans bearing interest between twelve to twenty-four percent.

Interest on lease liabilities

Interest on lease liabilities for the three months ended April 30, 2021 and 2020 amounted to $78,283 and $26,014, respectively. Interest on lease liabilities relates to the Company's leased premises.

Accretion

Accretion expense during the three months ended April 30, 2021 and 2020 amounted to $4,656 and $nil, respectively. Accretion expense relates to the accretion of the Company's Canada Emergency Business Account loans.

Other income

Other income for the three months ended April 30, 2021 and 2020 amounted to $46,186 and $nil, respectively. Other income relates to income received for government assistance and other miscellaneous revenues.

Net Loss and Comprehensive Loss

During the three months ended April 30, 2021, the Company recorded a net and comprehensive loss of $217,470 as compared to net and comprehensive loss of $345,980 during the three months ended April 30, 2020.

Liquidity and Capital Resources

As at April 30, 2021, the Company had total assets of $19,798,324 (January 31, 2021 - $1,232,269) consisting of cash of $1,014,227, accounts receivable of $352,159, inventory of $1,516,203, prepaid expenses of $297,409, property and equipment of $1,146,233, right-of-use assets of $5,555,816, intangible assets of $457,964 and goodwill of $9,458,313.

As at January 31, 2021, the Company had total assets of $1,232,269 consisting of cash of $298,256, inventory of $171,300, prepaid expenses of $73,584, property and equipment of $219,153 and right-of-use assets of $469,976.

The increase in assets from January 31, 2021 to April 30, 2021 was primarily a result of the Company's acquisition of 180 Smoke, resulting in a significant increase in total assets.

As at April 30, 2021, the Company had total liabilities of $19,966,609 (January 31, 2021 - $2,460,519) consisting of trade and other payables of $1,405,954, income taxes payable of $5,767, harmonized sales tax payable of $35,812, current lease liabilities of $1,068,931, current loans payable of $545,481, current contract liability of $69,821, current promissory note of $11,129,172, non-current lease liabilities of $5,344,497, non-current contract liability of $197,399 and government loan of $163,775.

As at January 31, 2021, the Company had total liabilities of $2,460,519 consisting of trade and other payables of $745,811, current lease liabilities of $57,569, current loans payable of $925,567, non-current lease liabilities of $552,306, government loan of $159,119 and non-current loans payable of $20,147.

The increase in liabilities from January 31, 2021 to April 30, 2021 was primarily a result of increased lease liabilities and the promissory note acquired from the acquisition of 180 Smoke.

Cash Used in Operating Activities

The Company used cash in operating activities in the amount of $202,512 (April 30, 2020 – $135,384) during the three months ended April 30, 2021 due to the reasons as discussed above.

Cash Provided by Financing Activities

The Company was provided cash by financing activities in the amount of $918,433 (April 30, 2020 - $65,012) during the three months ended April 30, 2021. During the three months ended April 30, 2021, the Company received advances from loans payable in the amount of $101,233, repaid short-term advances of $200,000, received net proceeds from its private placement in the amount of $960,885, received proceeds from the exercise of stock options in the amount of $17,550, and paid $158,719 towards the Company's lease obligations.

Cash Used by and used in Investing Activities

The Company used cash by investing activities in the amount of $nil (April 30, 2020 - $24,889) during the three months ended April 30, 2021. During the three months ended April 30, 2020, the Company purchased property and equipment in the amount of $24,889.

Summary

During the three months ended April 30, 2021, the Company incurred a comprehensive loss of $217,470 as compared to a comprehensive loss of $345,980 during the three months ended April 30, 2020. As at April 30, 2021, the Company had working capital deficiency of $11,080,940 as compared to a working capital deficiency of $1,185,807 as at January 31, 2021. The Company's total shareholders' deficiency amounted to $168,285 (January 31, 2021 - $1,228,250) as at April 30, 2021.

The Company has financed its operations from inception to date through the issuance of debt and equity securities. The Company currently has limited source of revenues, and as such, administrative and other expenses may exceed available cash resources from its revenue. Additional funding may be required to further the Company's future business projects and to meet ongoing requirements for to fund its operations.

The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations. To manage the capital structure, the Company may adjust its business plan, operating expenditures or may issue new debt and/or equity. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to externally imposed capital requirements or covenants.

The ability of the Company to continue as a going concern is dependent on raising additional financing, the development of its projects and generation of profitable operations in the future. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

Outstanding Share Data

There were 72,048,157 common shares of the Company issued and outstanding as at April 30, 2021 and 74,048,157 common shares of the Company issued and outstanding as at June 29, 2021, being the date of this report. There were options for the purchase of 3,676,400 common shares of the Company and warrants for the purchase of 15,607,149 common shares of the Company issued and outstanding as at April 30, 2021 and options for the purchase of 3,675,000 common shares of the Company and warrants for the purchase of 14,814,814 common shares of the Company issued and outstanding as at June 29, 2021.

Reverse Takeover of Spyder Vapes

On May 31, 2019, the Company completed the acquisition of all of the issued and outstanding common shares of Spyder Vapes pursuant to the RTO as disclosed in Note 1. These consolidated financial statements represent a continuation of Spyder Vapes and not those of the Company prior to the completion of the RTO.

The transaction constituted a RTO of the Company as the shareholders of Spyder Vapes obtained control of the Company which did not meet the definition of a business combination pursuant to IFRS 3, *Business Combinations*. As such, the RTO has been accounted for as a share-based transaction under IFRS 2 (“IFRS 2”), *Share-based Payment*. Since Spyder Vapes is the deemed acquirer for accounting purposes, these consolidated financial statements present the historical information and results of Spyder Vapes.

The accounting for the RTO resulted in the following:

i) The consolidated financial statements of the combined entity are issued under the Company as the legal parent but are considered to be a continuation of the financial results of Spyder Vapes.

ii) Since Spyder Vapes is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in these consolidated financial statements at their historical carrying values.

iii) Since the common shares allocated to the shareholders of the Company on closing of the RTO are considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of Anchor Capital Corporation Inc. acquired on closing was expensed in the consolidated statement of operations and comprehensive loss as a listing expense.

The fair value of the 4,514,000 common shares and options to acquire 551,400 common shares of Anchor Corporation Inc. issued pursuant to the RTO was determined to be $677,100, at a deemed price of $0.15 per common share, and $76,252, respectively.

The fair value of all the consideration given and charged to listing expenses was comprised of:

	$
Fair value of the common shares and options for the purchase of common shares issued at RTO date:	**753,352**
Identifiable assets acquired - May 31, 2019	
Cash	29,233
Accounts payable	(12,200)
	17,033
Unidentifiable assets acquired - May 31, 2019	
Listing expense	736,319
Total net identifiable assets and transaction costs	**736,319**

The Company incurred additional listing expenses of $249,100 pursuant to the RTO. The total listing expense incurred by the Company in relation to the RTO amounted to $985,419.

Acquisition of 180 Smoke

On March 30, 2021, the Company acquired (the "Acquisition") all of the issued and outstanding common shares of the entities that collectively comprise the business of 180 Smoke (collectively, "180 Smoke"), a dominant vape retailer in Canada, namely: (i) 2360149 Ontario Inc. d/b/a 180 Smoke and its wholly-owned subsidiaries 420 Wellness Inc. and 180 Smoke LLC; (ii) 180 VFC Inc.; and (iii) 2488004 Ontario Inc. The Acquisition was completed with an arm's length party on a cash-free basis (after post-closing adjustments), for nominal consideration of $1.

In accordance with the Company's accounting policies and IFRS, the measurement period for the Acquisition shall not exceed one year from acquisition date. Accordingly, the accounting for the Acquisition has only been provisionally determined as at March 30, 2021 and April 30, 2021. The following table summarizes the fair value of consideration paid on the acquisition date and the allocation of the purchase price to the assets and liabilities acquired. The Company has yet to determine and value any intangible assets that may have been acquired as part of the Acquisition. Once this has been determined, the value of the provisional goodwill may change. These changes may be material.

	$
Consideration paid	
Cash consideration	**1**
Purchase Price Allocation	
Assets acquired	
Cash and cash equivalents	**288,546**
Accounts receivable	**368,727**
Prepaid expenses and deposits	**176,143**
Inventory	**1,279,735**
Property, plant and equipment	**955,131**
Intangible assets	**463,096**
Right-of-use assets	**5,201,946**
Total assets	**8,733,324**
Liabilities assumed	
Accounts payable and accrued liabilities	**911,407**
Income taxes payable	**5,767**
Contract liability	**261,302**
Lease liabilities	**5,883,989**
Long-term debt	**11,129,171**
Total liabilities	**18,191,636**
Provisional amount allocated to Goodwill	**9,458,313**

Share Capital

Common Shares

The Company is authorized to issue an unlimited number of common shares.

	#	$
Balance, January 31, 2020	**43,219,177**	**2,736,176**
Common shares issued for the conversion of debt	3,000,000	150,000
Common shares issued for the conversion of accounts payable	872,000	43,600
Balance, January 31, 2021	**47,091,177**	**2,929,776**
Common shares issued for the exercise of options	175,500	41,820
Common shares issued for the settlement of debt	9,966,666	299,000
Common shares issued for private placement	14,814,814	960,885
Balance, April 30, 2021	**72,048,157**	**4,231,481**

During the three months ended April 30, 2021, the Company had the following common share transactions:

- On April 1, 2021, the Company completed a non-brokered private placement offering (the "Offering") through the issuance of 14,814,814 units ("Units") of the Company, at a price of $0.0675 per Unit, for total gross proceeds of approximately $1,000,000. In connection with the Offering, share issuance costs of $39,115 were recorded. Each Unit consisted of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.135 per common share at any time prior to the earlier of: (i) April 1, 2023; or (ii) in the event that the closing price of the Company's common shares on the TSX-V is at least $0.20 per share for a minimum of 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants accelerating the expiry date of such Warrants to be 30 days following the date of such written notice. A director of the Company participated in the Offering and received 150,000 Units for an aggregate subscription of $10,125;
- On March 16, 2021, the Company completed a debt settlement transaction pursuant to which the Company issued, to certain creditors of the Company, an aggregate of 9,966,666 common shares of the Company, at a deemed price of $0.03 per share, in settlement of an aggregate of $299,000 in indebtedness of the Company. Certain directors of the Company participated in the debt settlement transaction and acquired an aggregate of 7,933,332 common shares of the Company in settlement of an aggregate of approximately $237,997 in indebtedness of the Company; and
- On February 17, 2021, and in connection with options previously issued, options were exercised for the purchase of 175,500 common shares of the Company, at an exercise price of $0.10 per share, for total gross proceeds of $17,550. As a result of this exercise, contributed surplus in the amount of $24,270 was transferred into share capital.

During the year ended January 31, 2021, the Company had the following common share transactions:

- On August 24, 2020, the Company issued 3,000,000 common shares, at a price of $0.05 per share, to a director and former Chief Financial Officer of the Company in settlement of a secured loan in the amount of $150,000; and

- On August 24, 2020, the Company issued 872,000 common shares, at a price of $0.05 per share, to settle accounts payable from arms-length vendors in the amount of $43,600.

Preferred shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. The preferred shares may be issued in one or more series at the discretion of the Company's board of directors who are authorized to fix the number of preferred shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series. As at April 30, 2021, no preferred shares were issued and outstanding.

Warrants

A summary of the Company's warrants outstanding at April 30, 2021 and January 31, 2021 are as follows:

	April 30, 2021			January 31, 2021		
	Options Outstanding	**Weighted Average Exercise Price ($)**	**Weighted Average Life Remaining (yrs)**	Options Outstanding	Weighted Average Exercise Price ($)	Weighted Average Life Remaining (yrs)
Balance, beginning of the period	**992,335**	**0.30**	**0.04**	1,379,828	0.1	0.83
Expired	(200,000)	0.30	0.00	-	-	-
Granted (expired)	14,814,814	0.10	1.30	(387,493)	0.1	1.3
Balance, end of the period	15,607,149	0.15	1.80	992,335	0.3	0.3
Exercisable, end of the period	**15,607,149**	**0.15**	**1.80**	992,335	0.3	0.3

During the three months ended April 30, 2021, the Company issued 14,814,814 warrants pursuant to the Offering, as disclosed above.

Options

The Company has an incentive stock option plan (the "Plan") in accordance with the policies of the TSX-V, pursuant to which a maximum of 3,993,837 options (the "Options") may be granted, and will be granted at the discretion of the Company's board of directors to eligible optionees which includes directors, officers, employees, or consultants of the Company (the "Optionees") under the Plan.

The Options granted pursuant to the Plan shall be exercisable for a period of up to ten years, and the number of common shares of the Company reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares. Additionally, the number of common shares of the Company reserved for issuance to consultants or employees conducting investor relations activities will not exceed 2% of the issued and outstanding common shares in a twelve-month period. The Company's board of directors are authorized to determine the exercise price of the Options, in accordance with applicable TSX-V policies, and will also determine the number of common shares of the Company to be granted to an Optionee.

A summary of the Company's stock options outstanding as at April 30, 2021 and January 31, 2021 are as follows:

	April 30, 2021			January 31, 2021		
	Options Outstanding	Weighted Average Exercise Price ($)	Weighted Average Life Remaining (yrs)	Options Outstanding	Weighted Average Exercise Price ($)	Weighted Average Life Remaining (yrs)
Balance, beginning of the period	**3,851,400**	**0.07**	**3.08**	3,851,400	0.07	3.33
Granted (expired)	-	-		-	-	
Exercised	(175,000)					
Balance, end of the period	3,676,400	0.07	2.08	3,851,400	0.07	2.33
Exercisable, end of the period	**3,676,400**	**0.07**	**2.08**	3,851,400	0.07	2.33

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price
Dec. 2, 2014	Dec. 2, 2024	376,400	376,400	$0.10
Sep. 1, 2017	Sep. 1, 2022	2,000,000	2,000,000	$0.05
Sep. 4, 2018	Sep. 4, 2023	200,000	200,000	$0.10
Oct. 10, 2018	Oct. 10, 2023	500,000	500,000	$0.10
Nov. 1, 2018	Nov. 1, 2023	600,000	600,000	$0.10

Related Party Transactions

Key management personnel compensation

The Company defines key management personnel as the officers and directors of the Company. Key management compensation during the three months ended April 30, 2021 and 2020 is as follows:

	2021	2020
	$	$
Salaries and other short-term employee benefits	**18,720**	10,400

During the three months ended April 30, 2021 and 2020, the Company had the following related party transactions and balances in the normal course of business:

a) During the three months ended April 30, 2021, the Company accrued professional and consulting fees in the amount of $40,000 (2020 - $nil) to Peldren Holdings Inc., a company controlled by a director and the former Chief Financial Officer.

b) Included in loans payable (Note 10), the following amounts were due to related parties:

   i) $60,000 of loans payable owing to Peldren Holdings Inc., a company controlled by a director and former Chief Financial Officer of the Company;

   ii) $23,000, comprised of $20,000 of loans payable and $3,000 of interest payable, owed to Daniel Pelchovitz, a director and former Chief Executive Officer of the Company;

   iii) $34,808 of interest payable, owed to Mark Pelchovitz, a director and former Chief Financial Officer of the Company; and

   iv) $26,373, comprised of $22,350 of loans payable and $4,023 of interest payable, owed to the spouse of a director and former Chief Financial Officer of the Company.

c) Included in accounts payable (Note 9), the following amounts were due to related parties:

i) $13,000 of management fees payable to Peldren Holdings Inc., a company controlled by a director and the former Chief Financial Officer of the Company;

ii) $34,260 of wages payable and owing to Daniel Pelchovitz, a director and former Chief Executive Officer of the Company; and

iii) $23,340 of wages payable and owing to the spouse of a director and former Chief Financial Officer of the Company.

On April 1, 2021, and as disclosed in Note 17, Steven Glaser, a director of the Company, participated in the Offering and received 150,000 Units for an aggregate subscription of $10,125.

On March 16, 2021, and as disclosed in Note 17, the Company completed a debt settlement transaction pursuant to which the Company issued, to Daniel Pelchovitz, Mark Pelchovitz and Steven Glaser, directors of the Company, an aggregate of 7,933,332 common shares of the Company, at a deemed price of $0.03 per share, in settlement of an aggregate of approximately $237,997 in indebtedness.

Loans Payable

Loans payable are comprised of the following:

	April 30, 2021	January 31, 2021
	$	$
Vehicle loan, payable in monthly installments of $550, non-interest bearing, matures on August 2021 and secured by related vehicle.	**-**	3,854
Government guaranteed bank loan, payable in monthly installments of $1,530, bearing interest at prime plus 3% per annum. Balance is secured by a general security agreement and guaranteed by 2 shareholders of the Company up to a maximum of 25% of the original amount advanced.	**33,929**	38,507
Loans payable, interest bearing at rates between 12% - 24% per annum, interest only payments, monthly, secured and due on demand.	**511,552**	903,353
	545,481	945,714
Less: current portion	**(545,481)**	(925,567)
Balance, April 30, 2021 and January 31, 2021	**-**	20,147

Government Loan

During the year ended January 31, 2021, the Company obtained an aggregate of $300,000 in loans under the Canada Emergency Business Account (collectively, the “CEBA Loan”). The CEBA Loan was granted in in the form of an interest-free revolving line of credit of which up to $300,000 may be drawn. On January 1, 2021, any balance remaining on the revolving line of credit automatically converted into a non-revolving term loan. Any outstanding balance on the CEBA Loan not repaid by January 1, 2023 is converted into an interest-bearing loan at a rate of 5% per annum. The CEBA Loan matures on December 31, 2025. If two-thirds (or $200,000) of the outstanding CEBA Loan is paid on or before December 31, 2022, the remaining one-third (or $100,000) will be forgiven. The Company expects to repay $200,000 of the outstanding CEBA

Loan by December 31, 2022. The Company has discounted the CEBA Loan using a discount rate of 12% during the interest-free loan period, which is the Company's incremental borrowing rate. The difference between the amount received and the fair value of the CEBA Loan has been reflected as government assistance in the consolidated statements of operations and comprehensive loss. The fair value of the CEBA Loan at inception amounted to $157,514. The difference of $142,486 has been reflected as government assistance on the consolidated statements of operations and comprehensive loss.

As at April 30, 2021, the fair value of the CEBA Loan amounted to $163,775 (January 31, 2021 - $159,119).

Off Balance Sheet Arrangements

As at April 30, 2021, the Company had no material off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Significant Accounting Policies

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the Company's presentation currency.

The Company's condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standards ("IAS") 34 – *Interim Financial Reporting* and do not include all information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 2021. These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: 2360149 Ontario Inc. and its wholly-owned subsidiaries: 420 Wellness Inc. and 180 Smoke LLC; 2488004 Ontario Inc.; 180 VFC Inc.; SPDR (USA) Corporation; and Spyder Cannabis Subco Inc. and its wholly-owned subsidiaries: Spyder Vapes Inc., Spyder Vapes (East) Inc., Spyder Vapes (Appleby) Inc., and The Green Spyder Inc. and its wholly-owned subsidiaries: The Green Spyder (Pickering) Inc., The Green Spyder (Lundy's) Inc. and The Green Spyder IP Inc. All inter-company transactions, balances and unrealized gains and losses on transactions between these subsidiaries are eliminated upon consolidation.

Significant accounting judgements and estimates

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of

contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The following are the critical judgements in applying accounting policies and key sources of estimation uncertainty at the end of the reporting year that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and judgements

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Judgements are used in situations when there is a choice and/or assessment required by management. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant area of estimation uncertainty and use of judgments are the following:

Inventory valuation

Inventory is carried at the lower of cost and net realizable value; in estimating net realizable value, the Company makes estimates related to obsolescence, future selling prices, seasonality, customer behavior, and fluctuations in inventory levels. The Company records a write-down to reflect management’s best estimate of the net realizable value of inventory based on the above factors.

Income taxes

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Share-based compensation

Estimating fair value for granted stock options and warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Carrying values of tangible assets

The Company assesses the carrying value of its tangible assets annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are charged against current net income (loss). Recoverability is dependent upon assumptions and judgements regarding market conditions, costs of operations and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates, and future cash flows. A material change in the assumptions may significantly impact the potential impairment of these assets.

Leases

The Company estimates a lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of a lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

Deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Contingencies

Management uses judgement to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgement to assess the likelihood of the occurrence of one or more future events.

Convertible debentures

The calculation of convertible debentures and its equity portion and the accretion expenses on convertible debentures requires estimates of the effective interest rate which is based on the Company's incremental borrowing rate for a loan of similar terms but without the conversion feature. Any changes to the estimate can significantly affect the amortized cost of the convertible debenture, equity portion of the convertible debentures and the accretion expenses of the convertible debentures.

Business Combinations

Acquisitions have been accounted for using the acquisition method required by *IFRS 3, Business Combinations*. Goodwill arising from acquisitions is measured as the fair value of the consideration transferred less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax

assets or liabilities), all measured as of the acquisition date. Transaction costs that are incurred by the Company in connection with a business combination are expensed as incurred (except for costs directly related to the issuance of shares which are recognized in equity). The Company uses its best estimates and assumptions to accurately value assets and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. On conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in profit and loss.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed and in-substance fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between the lease liability and a finance cost, which is recognized in finance costs over the lease term in the Company's consolidated statements of operations.

When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable prices for a similar asset and/or service.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in selling, distribution and administrative expenses as incurred. Lease incentives received for variable payment leases are deferred and amortized as a reduction in recognized variable rent expenses over the term of the related leases.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

In sublease arrangements where the Company is the intermediate lessor, it determines whether the sublease is finance or operating by reference to the right-of-use asset. A sublease is a finance sublease if substantially all of the risks and rewards of the head lease right-of-use asset have been transferred to the sub-lessee and the Company accounts for the sublease as two separate contracts. The Company derecognizes the right-of-use asset corresponding to the head lease and records a net investment in the finance sublease with corresponding interest income recognized in finance income in the consolidated statements of operations and comprehensive loss and a net investment receivable recognized in trade and other receivables in the consolidated balance sheets.

Foreign currency translation

Revenues and expenses denominated in foreign currencies are translated into Canadian Dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities are retranslated at the reporting date using the rate in effect at the statement of financial position date and non-monetary items are translated at historical exchange rates. Related exchange gains and losses are included in the statement of operations and comprehensive loss for the period.

Provisions

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event; and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of operations and comprehensive loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

IFRS 15 - *Revenue from contracts with customers*

Revenue is measured at the fair value of consideration received or receivable, net of sales tax, trade discounts, rebates and other allowances.

Revenue is recognized when the criteria specific to each separately identifiable component is met and follows the below 5-step approach:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company's revenue consists of sales from its retail stores and e-commerce operations through the delivery of products and/or rendering of services. For retail store customers, control passes upon point of sale, and for e-commerce customers, control passes upon delivery. Revenue from the sale of goods is measured at the fair value of the consideration received less an appropriate deduction for returns, discounts, rebates, and loyalty program costs, net of sales taxes. The Company sells products with a limited right to return. The provision for returns is estimated based on the last 12 month's return rate for retail stores and e-commerce sales, respectively.

Cost of goods sold

Cost of goods sold expense relates to the Company's retail and e-commerce operations, and includes direct materials, direct labor, and shipping and handling related to the sale of goods.

Government assistance

The Company recognizes government assistance when there is reasonable assurance that the Company has met the requirements of the approved grant program and the Company is reasonably certain, based on management's judgement, that the government grant will be received. Government assistance, including grants, related to operating expenses is accounted for as a reduction to the related expenses. The Company's received government assistance in the form of grants.

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater 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 asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit" or "CGU").
An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 and amortization, if no impairment loss had been recognized.

Share-based compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is applied to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

Equity

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total equity.

The Company has adopted a residual method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued based on the fair value of the warrants using the Black-Scholes option pricing model and the share price at the time of financing, and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares. The proceeds from the issue of units are allocated between share capital and warrants.

Income taxes

Tax expense is comprised of current and deferred tax. Tax is recognized in the consolidated statement of operations and comprehensive loss except to the extent that it relates to items recognized in other comprehensive loss or equity on the consolidated statement of financial position.

Current tax

Current tax is calculated using tax rates which are enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to taxation authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates which are enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences, except for temporary differences that arise from goodwill, which is not deductible for tax purposes. Deferred tax liabilities are also recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled, and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible balances can be utilized. All deferred tax assets are analyzed at each reporting period and reduced to the extent that it is no longer probable that the asset will be recovered. Deferred tax assets and liabilities are not recognized with respect to temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVTOCI”) or amortized cost. The Company determines the classification of financial assets at initial recognition.

Financial assets at FVTPL

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations during the period

in which the change occurs. Realized and unrealized gains or losses resulting from assts held at FVPTL are included in the consolidated statements of operations and comprehensive losses in the period in which they relate to.

Financial assets at FVTOCI

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive loss. For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive loss and is not recycled to the consolidated statement of operations.

Financial assets at amortized cost

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. The Company's accounts receivable are recorded at amortized cost. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at the end of each reporting period.

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL.

The Company has made the following classifications:

Financial instrument	**Classification**
Cash	FVTPL
Trade and other payables	Other financial liabilities
Loans payable	Other financial liabilities

Impairment

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that

are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and guaranteed investment certificate is valued at Level 1. Other than that, none of the Company's financial instruments are recorded at fair value on the consolidated statements of financial position. The fair values of financial instruments approximate their carrying values due to their short term to maturity. Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Future Accounting Pronouncements

The accounting pronouncements detailed in this note have been issued but are not yet effective. The Company does not expect the impact of applying these standards to be significant on its consolidated financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The International Accounting Standards Board ("IASB") has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";

- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Amendments to IFRS 16, Leases – COVID-19-Related Rent Concessions

In May 2020, the IASB published COVID-19-Related Rent Concessions, which amends IFRS 16, *Leases*, to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. COVID-19-Related Rent Concessions qualify for the practical expedient if there was a decrease in lease consideration, reduction of lease payments that affected payments originally due on or before June 30, 2021, and no substantive changes to other terms and conditions of the lease. The amendment became effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted.

The Company applied the practical expedient for the annual period ending January 31, 2021 and has recorded any eligible change in lease payments resulting from COVID-19-Related Rent Concessions in the consolidated statements of operations and comprehensive loss, at the later of the date on which the rent concession arrangement is executed and the period to which the rent concession relates.

Financial Instruments and Other Risk Factors

The Company’s financial instruments consist of cash and cash equivalents, trade and other payables and loans payable.

The Company’s cash and cash equivalents is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. The presentation of the Company’s due from related party and accounts payable is fair value, taking into account their short-term nature. The fair value of loan payable approximates fair value. The fair value of convertible debentures are measured on the statement of financial position using level 3 of the fair value hierarchy.

The Company’s financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk, price risk and foreign currency risk.

Financial risk management and objectives

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. The 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.

Credit risk

The Company is exposed to credit risk on its cash balance which is held with reputable financial institutions. As at April 30, 2021, management considered the Company’s credit risk in relation to such financial assets to be low.

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.

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.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties due to the nature of its business and the present stage of development. Current and potential investors should give special consideration to the risk factors involved.

Additional Financing

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its future business activities by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company will require additional financing to fund its operations until positive cash flow is achieved.

Investments may be pre-revenue

The Company has made and may make future investments in entities that have no significant sources of operating cash flow and no revenue from operations. As such, the Company’s investments are subject to risks and uncertainties including the risk that the Company’s investments will not be able to:

- implement or execute their current business plan, or create a business plan that is sound;
- maintain their anticipated management team; and/or
- raise sufficient funds in the capital markets or otherwise to effectuate their business plan.

If the Company’s investments cannot execute any one of the foregoing, their businesses may fail, which could have a materially adverse impact on the business, financial condition and operating results of the Company.

Intellectual property and proprietary protection

The success of the Company will depend, in part, on the ability of the Company and the Company's investments to maintain, enhance and protect its intellectual property, including various existing and potential proprietary discoveries, techniques and processes. The Company and the Company's investments may be vulnerable to competitors who develop competing technology. Furthermore, the protection of the Company's intellectual property may be a costly litigation process.

Reliance on management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of such individuals or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all.

COVID-19

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

Corporate Information

Corporate Office

7600 Weston Road, Unit 51, Woodbridge, Ontario, L4L 8B7

Independent Auditor

Stern & Lovrics LLP, Toronto

Transfer Agent

Alliance Trust Company, Alberta

Other Information

Additional information on the Company is available on SEDAR at www.sedar.com.