Delota Corp.

(Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended October 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Statements of Financial Position
As at October 31, 2021 and January 31, 2021
(Unaudited - Expressed in Canadian Dollars)

	October 31, 2021	January 31, 2021
	$	$
ASSETS		
Current		
Cash	**790,603**	298,256
Accounts receivable	**715,055**	-
Inventory *(Note 7)*	**1,509,709**	171,300
Prepaid expenses	**224,362**	73,584
Total current assets	**3,239,729**	543,140
Non-current assets		
Property and equipment *(Note 8)*	**1,041,830**	219,153
Right-of-use assets *(Note 9)*	**5,375,863**	469,976
Intangible assets *(Note 10)*	**435,659**	-
Goodwill *(Note 6)*	**9,573,313**	-
Total non-current assets	**16,426,665**	689,129
Total assets	**19,666,394**	1,232,269
LIABILITIES AND EQUITY		
Current		
Trade and other payable	**1,771,294**	745,811
Harmonized sales tax payable	**267,149**	-
Current portion of lease liabilities *(Note 16)*	**1,053,319**	57,569
Loans payable - current *(Note 13)*	**783,177**	925,567
Contract liability - current *(Note 11)*	**94,137**	-
Promissory note *(Note 12)*	**11,129,172**	-
Total current liabilities	**15,098,248**	1,728,947
Non-current liabilities		
Lease liabilities *(Note 16)*	**5,369,461**	552,306
Contract liability *(Note 11)*	**237,546**	-
Government loan *(Note 14)*	**173,832**	159,119
Loans payable *(Note 13)*	**-**	20,147
Total non-current liabilities	**5,780,839**	731,572
Total liabilities	**20,879,087**	2,460,519
SHAREHOLDERS' DEFICIENCY		
Share capital *(Note 17)*	**4,528,481**	2,929,776
Warrants	**99,398**	99,398
Contributed surplus	**279,883**	392,631
Deficit	**(6,120,455)**	(4,650,055)
Total shareholders' deficiency	**(1,212,693)**	(1,228,250)
Total liabilities and shareholders' deficiency	**19,666,394**	1,232,269

Nature of Operations and Going Concern *(Note 1)*
Commitments *(Note 26)*

Approved on behalf of the Board of Directors:

(signed) "Mark Pelchovitz", Director   (signed) "Steven Glaser", Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the Three and Nine Months Ended October 31, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	**Nine Months Ended October 31, 2021**	Nine Months Ended October 31, 2020
	$	$	**$**	$
Revenue	**5,351,308**	497,734	**12,107,663**	598,715
Cost of goods sold	**2,957,731**	354,323	**6,842,340**	409,136
Gross profit	**2,393,577**	143,411	**5,265,323**	189,579
Expenses				
General and administrative expenses *(Note 20)*	**2,670,724**	305,390	**6,397,131**	988,791
Finance charges *(Note 21)*	**228,144**	59,301	**580,117**	158,554
Total expenses	**2,898,868**	364,691	**6,977,248**	1,147,345
Loss before other income	**(505,291)**	(221,280)	**(1,711,925)**	(957,766)
Government assistance	**-**	45,563	**-**	45,563
Other income	**53,637**	-	**241,525**	-
Net loss and comprehensive loss	**(451,654)**	(175,717)	**(1,470,400)**	(912,203)
Loss per share - basic and diluted	**(0.03)**	(0.02)	**(0.11)**	(0.10)
Weighted average number of shares outstanding - basic and diluted	**14,809,614**	9,222,499	**13,695,315**	8,836,717

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Statements of Changes in Equity
For the Three and Nine Months Ended October 31, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Warrant Reserve	Deficit	Shareholders' Deficiency
	$	$	$	$	$
Balance, January 31, 2020	**2,736,176**	**392,631**	**99,398**	**(3,340,437)**	**(112,232)**
Shares issued on conversion of payables	8,330	-	-	-	8,330
Shares issued on conversion of debt	43,600	-	-	-	43,600
Share issuance costs	150,000	-	-	-	150,000
Net loss for the period	-	-	-	(912,203)	(912,203)
Balance, October 31, 2020	**2,938,106**	**392,631**	**99,398**	**(4,252,640)**	**(822,505)**
Balance, January 31, 2021	**2,929,776**	**392,631**	**99,398**	**(4,650,055)**	**(1,228,250)**
Common shares issued for private placement	1,000,000	-	-	-	1,000,000
Share issuance costs	(39,115)	-	-	-	(39,115)
Common shares issued for settlement of debt	299,000	-	-	-	299,000
Common shares issued for exercise of stock options	41,820	(24,270)	-	-	17,550
Common shares issued for exercise of stock options	297,000	(197,000)	-	-	100,000
Issuance of stock options	-	108,522	-	-	108,522
Net loss for the period	-	-	-	(1,470,400)	(1,470,400)
Balance, October 31, 2021	**4,528,481**	**279,883**	**99,398**	**(6,120,455)**	**(1,212,693)**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended October 31, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

	2021	2020
	$	$
Cash was provided by (used) in the following activities:		
Operating activities		
Net loss for the period	**(1,470,400)**	(912,203)
Items not requiring an outlay of cash:		
Amortization	**35,592**	-
Depreciation	**170,473**	107,117
Depreciation of right-of-use assets	**688,401**	139,227
Interest on lease liabilities	**475,372**	77,040
Interest on loans payable	**14,713**	90,032
Stock-based compensation	**108,522**	-
Impairment of right-of-use assets	**43,392**	-
Accretion	**14,713**	-
Change in non-cash working capital:		
Sales tax receivable	**267,149**	41,781
Accounts receivable	**(346,328)**	-
Inventory	**(58,674)**	(40,224)
Prepaid expenses	**25,365**	46,740
Contract liability	**70,381**	-
Trade and other payables	**154,945**	269,029
Cash flows provided by (used in) operating activities	**193,616**	(181,461)
Financing activities		
Proceeds from loans payable	**226,495**	513,105
Proceeds from private placement	**960,885**	8,330
Proceeds from exercise of stock options	**117,550**	-
Lease payments	**(990,340)**	(165,542)
Cash flows provided by financing activities	**314,590**	355,893
Investing activities		
Additions to property and equipment	**(28,482)**	(224,357)
Proceeds from dispostion of property and equipment	**12,623**	-
Cash flows used in investing activities	**(15,859)**	(224,357)
Increase (decrease) in cash during the period	**492,347**	(49,925)
Cash, beginning of period	**298,256**	127,980
Cash, end of period	**790,603**	78,055
Non-cash transactions		
Issuance of stock options	**108,522**	-
Shares issued for conversion of debt	**237,997**	193,600

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Nature of Operations and Going Concern

Delota Corp. (formerly, Spyder Cannabis Inc.) ("Delota" or the "Company") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on February 20, 2014. The Company's common shares are currently listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "LOTA". 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 currently operates the retail brands 180 Smoke, Offside Cannabis and SPDR Cannabis. The Company's corporate and registered office is 7941 Jane Street, Unit 2, Concord, Ontario, L4K 2M7.

Reverse Takeover

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 fifth (1/5) common shares 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." which has subsequently been changed to "Delota Corp." on November 17, 2021.

Upon closing of the Amalgamation, the Company issued 8,005,066 common shares of the Company, warrants for the purchase of 275,966 common shares of the Company and options for the purchase of 770,280 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 2,528,997 common shares and options for the purchase of 280,000 common shares of the Company.

Going Concern and Impact of COVID-19

In March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", was declared a pandemic by the World Health Organization, resulting in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

In accordance with Canadian, provincial and local government guidelines, the Company has experienced intermittent government-mandated closures of its retail stores, as well as capacity restrictions that has significantly impacted the operations and financial performance of the Company. The Company has continued to operate its retail locations and e-commerce platforms with strict cleaning protocols and social distancing measures in place, successfully generating substantial online sales growth that has partially offset the impact of retail store closures, constraints and in-store traffic declines.

1. Nature of Operations and Going Concern (continued)

Going Concern and Impact of COVID-19 (continued)

As a result of the significant negative impacts that COVID-19 has had on the global economy, consumer confidence and the retail operating environment, the Company's consolidated financial results for the nine months ended October 31, 2021 have been materially impacted. Since March 2020, the Company has implemented many strategies to reduce costs and manage liquidity to overcome the negative impacts of the pandemic, including but not limited to the following:

- Reduced selling, general and administrative costs, capital expenditures and other discretionary spending;
- Realized on personnel cost savings related to temporary layoffs as a result of store closures, temporary reductions in compensation and other hiring and salary freezes, where applicable;
- Worked with landlords to abate or defer a significant portion of retail store rents during retail shut downs or subsequent periods; and
- Evaluated, qualified and applied for applicable government relief programs.

Management recognizes that while it has implemented an action plan to best navigate the impacts of COVID-19 on the Company's business, there is still uncertainty with respect to the duration and extent to which the pandemic may adversely impact the operations and financial performance of the Company. The Company expects to have access to certain relief loans and other forms of support available to businesses impacted by COVID-19, however, to the extent that the pandemic continues, or further public restrictions are imposed by applicable governmental authorities, the degree to which the Company's operations and financial performance could be affected may further become impacted.

Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the nine months ended October 31, 2021, the Company incurred a net loss of $1,470,400 (October 31, 2020 - $912,203) and had an accumulated deficit of $6,120,455 (January 31, 2021 - $4,650,055) as at October 31, 2021. 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 interim 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 condensed interim 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.

2. Basis of Preparation

a) Statement of Compliance

These 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").

These condensed interim consolidated financial statements were authorized for issue by the Company's Audit Committee and its Board of Directors on December 30, 2021.

b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for cash, which is measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian Dollars, which is the functional currency of the Company and its subsidiaries.

d) Use of Estimates and Judgements

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The fair value of securities traded in active markets are based on quoted market prices at the close of trading on the reporting date.

2. Basis of Preparation (continued)

For public company warrants (i.e. the underlying security of which is traded on a recognized stock exchange), valuation models such as Black-Scholes are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility.

e) 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.

3. Significant Accounting Policies

The significant accounting policies applied by the Company are the same as those applied as at and for the year ended January 31, 2021 and are consistently applied to all periods presented except as noted below. They do not include all the information required for full annual financial statements in accordance with IFRS and should be read in conjunction with the audited annual consolidated financial statements for the year ended January 31, 2021.

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.

3. Significant Accounting Policies (continued)

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 condensed interim 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 IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

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 ended 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 related to.

4. Use of 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 periods 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements in applying accounting policies and key sources of estimation uncertainty at the end of the reporting period 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 condensed interim consolidated financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty and use of judgements are as follows:

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 noted 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 in, 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.

4. Use of Judgements and Estimates (continued)

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 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 the lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company’s ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful execution of the Company’s business plan. To the extent that management’s assessment of the Company’s ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

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 estimated effective interest rate can significantly affect the amortized cost of the convertible debentures, equity portion of the convertible debentures and the accretion expense of the convertible debentures.

4. Use of Judgements and Estimates (continued)

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 exercises significant judgement to assess the likelihood of the occurrence of one or more future events.

Carrying values of goodwill and other intangible assets
The values associated with goodwill and other intangible assets involve significant estimates and assumptions, including those with respect to the determination of cash generating units ("CGUs"), future cash inflows and outflows, discount rates and useful asset lives. At least annually, the carrying amount of goodwill and other intangible assets are reviewed for potential impairment. Among other things, this review considers the recoverable amounts of the CGUs based on the higher of value in use or fair value less costs of disposal using discounted estimated future cash flows. These significant estimates require considerable judgement which could affect the Company's future results if the current estimates of future performance and fair value change.

Purchase price allocation
The purchase price allocation for business combinations and asset acquisitions is based on the valuation of the assets acquired, liabilities assumed, and intangible assets identified, including managements' process for developing the estimates and the significant assumptions underlying the estimates.

Assessment of revenues
Management assesses which contracts occur at a point in time, over a period of time, and based on usage and royalties. Judgement is required on revenues recorded over a period of time. Royalty, service fee, and license fee revenues from franchisees of the Company are recognized over a period of time as they are earned in accordance with the substance of the relevant agreement.

5. 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 condensed interim 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 condensed interim consolidated financial statements present the historical information and results of Spyder Vapes.

(Unaudited - Expressed in Canadian Dollars)

5. Reverse Takeover of Spyder Vapes (continued)

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 acquired on closing was expensed in the consolidated statement of operations and comprehensive loss as a listing expense.

The fair value of the 902,800 common shares and options to acquire 110,280 common shares of Anchor Capital Corporation issued pursuant to the RTO was determined to be $677,100, at a price of $0.75 per common share, and $76,252, respectively.

The fair value of all the consideration paid 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 expenses incurred by the Company in relation to the RTO amounted to $985,419 during the year ended January 31, 2020.

(Unaudited - Expressed in Canadian Dollars)

6. 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 the acquisition date. Accordingly, the accounting for the Acquisition has only been provisionally determined as at March 30, 2021 and October 31, 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	**1,026,407**
Income taxes payable	**5,767**
Contract liability	**261,302**
Lease liabilities	**5,883,989**
Long-term debt	**11,129,171**
Total liabilities	**18,306,636**
Provisional amount allocated to Goodwill	**9,573,313**

(Unaudited - Expressed in Canadian Dollars)

7. Inventory

As part of the acquisition of 180 Smoke, the Company acquired inventory in the amount of $1,279,735 during the nine months ended October 31, 2021. As at October 31, 2021 and January 31, 2021, the Company's inventory was comprised of the following:

	October 31, 2021 $	January 31, 2021 $
Raw materials	**159,353**	-
Work-in-progress	**1,639**	-
Finished goods	**1,348,717**	171,300
Total inventory balance at the lower of cost and net realizable value	**1,509,709**	171,300

8. Property and Equipment

Property and equipment consists of the following:

	Furniture and equipment $	Plant and machinery $	Computer equipment $	Leasehold improvements $	Website, signs and automobile $	Total $
Cost						
As at January 31, 2020	**81,565**	**-**	**22,289**	**299,763**	**85,579**	**489,196**
Additions	52,374	-	10,174	168,148	2,946	233,642
Disposals	(42,442)	-	(2,381)	(241,161)	(7,880)	(293,864)
As at January 31, 2021	**91,497**	**-**	**30,082**	**226,750**	**80,645**	**428,974**
Additions	291,922	34,226	7,617	656,916	2,469	993,150
Disposals	-	-	-	-	(39,644)	(39,644)
As at October 31, 2021	**383,419**	**34,226**	**37,699**	**883,666**	**43,470**	**1,382,480**
Accumulated depreciation						
As at January 31, 2020	**31,598**	**-**	**16,090**	**114,371**	**62,444**	**224,503**
Depreciation	23,868	-	5,122	73,838	10,147	112,975
Disposals	(20,841)	-	(2,381)	(96,555)	(7,880)	(127,657)
As at January 31, 2021	**34,625**	**-**	**18,831**	**91,654**	**64,711**	**209,821**
Depreciation	27,596	3,676	8,929	115,596	14,676	170,473
Disposals	-	-	-	-	(39,644)	(39,644)
As at October 31, 2021	**62,221**	**3,676**	**27,760**	**207,250**	**39,743**	**340,650**
Net book value ($)						
As at January 31, 2021	**56,872**	**-**	**11,251**	**135,096**	**15,934**	**219,153**
As at October 31, 2021	**321,198**	**30,550**	**9,939**	**676,416**	**3,727**	**1,041,830**

During the three and nine months ended October 31, 2021, the Company recorded depreciation expense related to property and equipment in the amount of $74,999 and $170,473, respectively (October 31, 2020 - $13,134 and $107,117, respectively).

(Unaudited - Expressed in Canadian Dollars)

9. Right-of-use Assets

Right-of-use assets are comprised of the following:

	$
Balance, January 31, 2020	**658,813**
Disposals during the year	(59,700)
Depreciation during the year	(129,137)
Balance, January 31, 2021	**469,976**
Acquisition of 180 Smoke (Note 6)	5,201,946
Additions during the period	443,884
Disposals during the period	(51,542)
Depreciation during the period	(688,401)
Balance, October 31, 2021	**5,375,863**

Leased properties are amortized over the terms of their respective leases.

10. Intangible Assets

Intangible assets are comprised of the following:

Cost:	**$**
As at January 31, 2021	-
Additions	471,251
As at October 31, 2021	**471,251**
Accumulated Amortization:	
As at January 31, 2021	-
Amortization	35,592
As at October 31, 2021	**35,592**
Carrying amount:	
As at January 31, 2021	-
As at October 31, 2021	**435,659**

11. Contract Liability

Contract liability relates to deferred revenue consisting of loyalty programs, franchise fee revenue, and service fee revenue. The Company acquired this contract liability as part of the acquisition of 180 Smoke (Note 6) in the amount of $261,302. Subsequent to the Acquisition of 180 Smoke, the Company received advanced payments from customers in the amount of $135,882 and recognized performance obligations in the amount of $65,501. As at October 31, 2021, this contract liability amounted to $331,683. The current and long-term portion of contract liability amounted to $94,137 and $237,546, respectively.

12. Promissory Note

The Company’s promissory note is unsecured, non-interest bearing and due on demand. The promissory note arose from the Company’s acquisition of 180 Smoke (Note 6).

(Unaudited - Expressed in Canadian Dollars)

13. Loans Payable

Loans payable are comprised of the following:

	October 31, 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.	**26,287**	38,507
Loans payable, interest bearing at rates between 12% - 24% per annum, interest only payments, monthly, secured and due on demand.	**756,890**	903,353
	783,177	945,714
Less: current portion	**(783,177)**	(925,567)
Balance, October 31, 2021 and January 31, 2021	**-**	20,147

14. 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 will be 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 specific business unit’s incremental borrowing rate. The fair value of the CEBA Loan at inception amounted to $157,514. The difference between the amount received and the fair value of the CEBA Loan of $142,486 was recorded as government assistance in the Company’s consolidated statements of operations and comprehensive loss during the year ended January 31, 2021.

Accretion expense on the CEBA Loan during the three and nine months ended October 31, 2021 amounted to $5,104 and $14,713, respectively (October 31, 2020 - $nil). As at October 31, 2021, the fair value of the CEBA Loan amounted to $173,832 (January 31, 2021 - $159,119).

(Unaudited - Expressed in Canadian Dollars)

15. Government Grants

The Canada Emergency Wage Subsidy ("CEWS") government program provides a wage subsidy of up to 75% for qualifying businesses. The purpose of the wage subsidy is to allow employers to re-hire workers that were previously laid off and to continue to employ those who are already on payroll. During the nine months ended October 31, 2021, the Company has received approximately $15,446 (October 31, 2020 - $nil) as a wage subsidy under the CEWS. This has been recognized in the condensed interim consolidated statements of operations and comprehensive loss as a reduction to the related expenses.

During the nine months ended October 31, 2021, the Company received approximately $111,016 (October 31, 2020 - $nil) as a COVID-19 Business Support Grant. This has been recognized in the condensed interim consolidated statements of operations and comprehensive loss as other income.

16. Lease Liabilities

The Company has entered into various long-term lease agreements. At the commencement date of each lease, the lease liability was measured at the present value of the lease payments that have not been paid. These lease payments are discounted by the Company's specific business unit’s incremental borrowing rate in the range of 12% - 12.56%.

The following represents the Company’s lease obligations as at October 31, 2021:

	$
Balance, January 31, 2020	**715,662**
Additions during the year	(54,698)
Interest expense	76,566
Lease payments	(127,655)
Balance, January 31, 2021	**609,875**
Acquisition of a subsidiary (Note 6)	5,883,989
Additions during the period	443,884
Interest expense	475,372
Lease payments	(990,340)
Balance, October 31, 2021	**6,422,780**

Summary:

	$
Current portion of lease liabilities	1,053,319
Non-current lease liabilities	5,369,461
Balance, October 31, 2021	**6,422,780**

The Company has commitments relating to operating leases for its retail locations and vehicles under its non-cancelable operating leases. The future minimal annual undiscounted rental payments under these operating leases as at October 31, 2021 are as follows:

One year	$1,720,720
Between two to five years	$5,111,739
More than five years	$1,954,286

(Unaudited - Expressed in Canadian Dollars)

17. Share Capital

The Company is authorized to issue an unlimited number of common shares. On September 17, 2021, the Company completed a 5 to 1 share consolidation. All references to the number of shares and per share amounts have been retrospectively restated as if the share consolidation occurred effective January 31, 2020.

	#	$
Balance, January 31, 2020	**8,643,825**	**2,736,176**
Common shares issued for the conversion of debt	600,000	150,000
Common shares issued for the conversion of accounts payable	174,400	43,600
Balance, January 31, 2021	**9,418,225**	**2,929,776**
Common shares issued for the exercise of options	35,100	41,820
Common shares issued for the settlement of debt	1,993,333	299,000
Common shares issued for private placement	2,962,956	960,885
Common shares issued for the exercise of options	400,000	297,000
Balance, October 31, 2021	**14,809,614**	**4,528,481**

During the three and nine months ended October 31, 2021, the Company had the following common share transactions:

- On May 17, 2021, and in connection with options previously issued, options for the purchase of 400,000 common shares of the Company were exercised at a price of $0.25 per share for total gross proceeds of $100,000. As a result of this exercise, contributed surplus in the amount of $197,000 was transferred to share capital. Such shares were issued to directors of the Company;
- On April 1, 2021, the Company completed a non-brokered private placement offering (the "Offering") through the issuance of 2,962,956 units ("Units") of the Company, at a price of $0.3375 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 $0.675 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 $1.00 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 30,000 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 1,993,333 common shares of the Company, at a price of $0.15 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 1,586,666 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 35,100 common shares of the Company, at an exercise price of $0.50 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 to share capital.

17. Share Capital (continued)

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

- On August 24, 2020, the Company issued 600,000 common shares, at a price of $0.25 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 174,400 common shares, at a price of $0.25 per share, to settle accounts payable from arms-length vendors in the amount of $43,600.

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 October 31, 2021, no preferred shares were issued and outstanding.

18. Share-based Payments

The Company has an omnibus incentive plan (the "Omnibus Plan") under which the board of directors may from time to time, in its discretion, grant non-transferable stock options ("Options") and restricted share units ("RSUs") (Options and RSUs collectively referred to as "Awards") to directors, officers, employees and consultants of the Company. Pursuant to the Omnibus Plan, the aggregate number of common shares reserved for issue under the Omnibus Plan may not exceed ten percent (10%) of the common shares of the Company outstanding from time to time. Furthermore, the Omnibus Plan sets the maximum number of common shares reserved for issuance, in the aggregate, pursuant to the settlement of RSUs granted under the Omnibus Plan at 740,000 common shares. Options granted pursuant to the Omnibus Plan shall be exercisable for a period of up to ten (10) years at an exercise price of not less than the closing price of the common shares on the trading day immediately preceding that date of grant, less the maximum discount, if any, permitted by the principal stock exchange on which the common shares are listed.

The maximum number of common shares reserved for issue pursuant to Awards granted to participants who are insiders of the Company in any twelve (12) month period may not exceed, in the aggregate, ten percent (10%) of the number of common shares then outstanding. The maximum number of common shares reserved for issue pursuant to Awards granted to any one participant in any twelve (12) month period shall not exceed five percent (5%) of the number of common shares then outstanding. The maximum number of common shares reserved for issue under Awards granted to any one participant (other than a participant who is an eligible director or eligible employee) in any twelve (12) month period shall not exceed two percent (2%) of the number of common shares then outstanding.

(Unaudited - Expressed in Canadian Dollars)

18. Share-based Payments (continued)

A summary of the Company's Options outstanding as at October 31, 2021 and January 31, 2021 are as follows:

	October 31, 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	**770,280**	**0.35**	**2.33**	770,280	0.35	3.33
Granted	515,000	0.50	4.00	-	-	-
Expired or cancelled	(115,140)	0.50	-	-	-	-
Exercised	(435,140)	0.25	-	-	-	-
Balance, end of the period	735,000	0.45	3.08	770,280	0.35	2.33
Exercisable, end of the period	**735,000**	**0.50**	**3.08**	770,280	0.35	2.33

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price
Oct. 10, 2018	Oct. 10, 2023	100,000	100,000	$0.50
Nov. 1, 2018	Nov. 1, 2023	120,000	120,000	$0.50
May 21, 2021	May 21, 2025	515,000	515,000	$0.50

Option Grants

On May 21, 2021, the Company granted and issued Options for the purchase of up to 515,000 common shares of the Company to certain Company's employees, officers and directors. These Options are exercisable for a period of four years from the date of issuance with an exercise price of $0.50 per share.

The fair value of these issued Options was determined using the Black-Scholes Option Pricing Model with the following range of assumptions:

Stock price	$0.40	
Risk-free interest rate	0.76	%
Expected life	1 year	
Estimated volatility in the market price of the common shares	159	%
Dividend yield	Nil	

During the three and nine months ended October 31, 2021, the Company expensed $nil and $108,522, respectively, (October 31, 2020 - $nil) in the fair value of Options as a result of the above issuance which has been recorded as stock-based compensation.

(Unaudited - Expressed in Canadian Dollars)

19. Warrants

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

	October 31, 2021			January 31, 2021		
	Warrants 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	198,467	1.50	0.30	275,966	0.50	0.83
Expired	(198,467)	1.50	-	-	-	-
Granted (expired)	2,962,956	0.68	2.00	(77,499)	0.50	1.30
Balance, end of the period	2,962,956	0.68	1.50	198,467	1.50	0.30
Exercisable, end of the period	**2,962,956**	**0.68**	**1.50**	198,467	1.50	0.30

During the nine months ended October 31, 2021, the Company issued 2,962,956 warrants, as disclosed in Note 17.

20. General and Administrative Expenses

General and administrative expenses for the three and nine months ended October 31, 2021 and 2020 are comprised of the following:

	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	**Nine Months Ended October 31, 2021**	Nine Months Ended October 31, 2020
	$	$	**$**	$
Salaries and wages	**1,220,951**	61,548	**3,025,894**	157,888
Stock-based compensation	**-**	-	**108,522**	-
Office and general	**286,466**	85,951	**758,576**	189,490
Delivery	**153,830**	-	**388,044**	-
Rent and utilities	**234,858**	59,571	**536,703**	194,279
Professional fees	**235,119**	37,661	**345,634**	197,768
Advertising and promotion	**97,042**	3,022	**201,038**	3,022
Repairs and maintenance	**61,633**	-	**87,881**	-
Foreign exchange (gain) loss	**(2,100)**	-	**6,981**	-
Impairment of right-of-use assets	**-**	-	**43,392**	-
Amortization	**15,230**	-	**35,592**	-
Depreciation	**74,999**	13,134	**170,473**	107,117
Depreciation of right-of-use assets	**292,696**	44,503	**688,401**	139,227
	2,670,724	305,390	**6,397,131**	988,791

(Unaudited - Expressed in Canadian Dollars)

21. Finance Charges

Finance charges for the three months and nine months ended October 31, 2021 and 2020 are comprised of the following:

	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	**Nine Months Ended October 31, 2021**	Nine Months Ended October 31, 2020
	$	$	**$**	$
Interest on loans payable	**27,448**	34,175	**90,032**	81,514
Interest on lease liabilities	**195,592**	25,126	**475,372**	77,040
Accretion	**5,104**	-	**14,713**	-
	228,144	59,301	**580,117**	158,554

22. Capital Management

The Company’s objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to the Company’s shareholders;
- Maintain financial flexibility in order to preserve the Company’s ability to meet its 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 Company’s board of directors do not establish quantitative return on capital criteria for management, but rather promote 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 debt, equity and working capital. In order to maintain or alter the capital structure, the Company may adjust capital spending or may attempt to raise additional funds through the issuance of equity or debt.

23. Financial Management and Risk Assessment

The fair value hierarchy that reflects the significance of inputs used in making fair value measurements is as follows:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: 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. from derived prices); and

Level 3: inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

23. Financial Management and Risk Assessment (continued)

Fair value

Financial instruments of the Company consist of cash, trade and other payables, and loans payable. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the condensed interim consolidated statements of financial position and their estimated fair values due to the relatively short-term maturities of these financial instruments. The 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 judgement to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts to which the Company could realize on such financial instruments 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, 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 October 31, 2021, management considered the Company’s credit risk in relation to such financial assets to be low.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on all of the Company’s existing debt are fixed, and therefore it is not currently subject to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

As at October 31, 2021, there is substantial doubt about the Company’s ability to continue as a going concern primarily due to its history of losses and negative working capital. Liquidity risk continues to be a key concern in the development of future operations.

(Unaudited - Expressed in Canadian Dollars)

24. 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 and nine months ended October 31, 2021 and 2020 is as follows:

	Three Months Ended October 31, 2021	Three Months Ended October 31, 2020	**Nine Months Ended October 31, 2021**	Nine Months Ended October 31, 2020
	$	$	**$**	$
Salaries and other short-term employee benefits	**156,225**	15,600	**327,429**	36,400
Stock-based compensation	**-**	-	**94,825**	-
Director fees	**13,500**	-	**13,500**	-
	169,725	15,600	**435,754**	36,400

During the three and nine months ended October 31, 2021 and 2020, the Company had the following related party transactions and balances in the normal course of business:

a) During the three and nine months ended October 31, 2021, the Company accrued professional and consulting fees in the amount of $nil and $40,000, respectively (2020 - $nil) to Peldren Holdings Inc., a company controlled by Mark Pelchovitz, a director and the former Chief Financial Officer of the Company;

b) Included in loans payable (Note 13), the following amounts were due to related parties:

   i) $26,800 of loans payable owing to Peldren Holdings Inc., a company controlled by Mark Pelchovitz, a director and former Chief Financial Officer of the Company;

   ii) $25,000 of loans payable owed to the brother of a director and former Chief Executive Officer of the Company, Daniel Pelchovitz; and

   iii) $22,350 of loans payable owed to the spouse of a director and former Chief Financial Officer of the Company.

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

   i) $45,520 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;

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

   iv) $13,500 of director fees payable.

On April 1, 2021, and as disclosed in Note 17, Steven Glaser, a director of the Company, participated in the Offering and received 30,000 Units for an aggregate subscription price of $10,125.

24. Related Party Transactions (continued)

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 1,586,666 common shares of the Company, at a deemed price of $0.15 per share, in settlement of an aggregate of approximately $237,997 in indebtedness.

25. Comparative Amounts

Certain comparative figures have been reclassified to conform to these condensed interim consolidated financial statements presented and adopted for the current period. Such reclassifications did not have an impact on the previously reported net and comprehensive loss.

26. Commitments

Leases

The Company has lease payments related to various long-term leases as disclosed in Note 16.