



**Delota Corp.**  
(Formerly, Spyder Cannabis Inc.)

**Consolidated Financial Statements**  
**For the Years Ended January 31, 2022 and 2021**  
(Expressed in Canadian Dollars)

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## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Delota Corp. (Formerly, Spyder Cannabis Inc.)**

### **Opinion**

We have audited the financial statements of Delota Corp. (Formerly, Spyder Cannabis Inc.) (the “Company”), which comprise the consolidated statements of financial position as at January 31, 2022 and 2021, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to Note 1 in the financial statements, which indicates that as of January 31, 2022 the Company had an accumulated deficit of \$13,495,025 (2021 - \$4,650,055) and had a working capital deficiency of \$11,600,886 in the current year (2021 - \$1,185,807). As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Other information**

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is George G. Lovrics.

Toronto, Ontario  
May 31, 2022



Chartered Professional Accountants  
Licensed Public Accountants

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

## Consolidated Statements of Financial Position

As at January 31, 2022 and 2021

(Expressed in Canadian Dollars)

	2022	2021
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	1,010,354	298,256
Accounts receivable	831,075	-
Inventory (Note 5)	1,465,226	171,300
Prepaid expenses	195,783	73,584
Total current assets	3,502,438	543,140
<b>Non-current assets</b>		
Intangible assets (Note 6)	420,429	-
Property and equipment (Note 7)	1,034,785	219,153
Right-of-use assets (Note 8)	5,037,964	469,976
Intangible assets - trade name (Note 6)	3,409,444	-
Total non-current assets	9,902,622	689,129
Total assets	13,405,060	1,232,269
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Trade and other payables	2,077,166	745,811
Harmonized sales tax payable	448,109	-
Current portion of lease liabilities (Note 10)	590,260	57,569
Contract liability - current (Note 11)	109,241	-
Loans payable - current (Note 12)	749,377	925,567
Promissory note (Note 13)	11,129,171	-
Total current liabilities	15,103,324	1,728,947
<b>Non-current liabilities</b>		
Lease liabilities (Note 10)	5,489,856	552,306
Contract liability (Note 11)	264,566	-
Government loan (Note 14)	158,933	159,119
Loans payable (Note 12)	-	20,147
Deferred tax liability (Note 24)	903,503	-
Total non-current liabilities	6,816,858	731,572
Total liabilities	21,920,182	2,460,519
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 16)	4,528,481	2,929,776
Warrants	99,398	99,398
Contributed surplus	352,024	392,631
Deficit	(13,495,025)	(4,650,055)
Total shareholders' deficiency	(8,515,122)	(1,228,250)
Total liabilities and shareholders' deficiency	13,405,060	1,232,269

Nature of Operations and Going Concern (Note 1)

Subsequent Events (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 consolidated financial statements.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

## Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

	2022	2021
	\$	\$
<b>Revenue</b>	<b>17,685,848</b>	1,276,124
<b>Cost of goods sold</b>	<b>9,872,553</b>	891,158
<b>Gross profit</b>	<b>7,813,295</b>	384,966
<b>Expenses</b>		
General and administrative expenses (Note 19)	<b>9,084,174</b>	1,313,038
Finance charges (Note 20)	<b>812,124</b>	193,992
Total expenses	<b>9,896,298</b>	1,507,030
<b>Loss before other income (expenses)</b>	<b>(2,083,003)</b>	(1,122,064)
Government assistance (Note 14, 15)	<b>171,174</b>	142,486
Other income	<b>203,470</b>	-
Forgiveness of lease liability (Note 10)	<b>261,908</b>	-
Impairment expense (Note 7, 8)	<b>(331,147)</b>	(330,040)
Amortization of intangible assets - trade name (Note 6)	<b>(200,556)</b>	-
Impairment of goodwill (Note 9)	<b>(6,919,963)</b>	-
<b>Loss before income taxes (recovery)</b>	<b>(8,898,117)</b>	(1,309,618)
Deferred tax recovery (Note 24)	<b>53,147</b>	-
<b>Net loss and comprehensive loss</b>	<b>(8,844,970)</b>	(1,309,618)
<b>Loss per share - basic and diluted</b>	<b>(0.65)</b>	(0.15)
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>13,695,315</b>	8,984,964

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

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Consolidated Statements of Changes in Equity  
For the Years Ended January 31, 2022 and 2021  
(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Warrant Reserve	Deficit	Shareholders' Deficiency
	\$	\$	\$	\$	\$
<b>Balance, January 31, 2020</b>	<b>2,736,176</b>	<b>392,631</b>	<b>99,398</b>	<b>(3,340,437)</b>	<b>(112,232)</b>
Common shares issued on conversion of accounts payables <i>(Note 16)</i>	43,600	-	-	-	43,600
Common shares issued for conversion of debt <i>(Note 16)</i>	150,000	-	-	-	150,000
Net loss for the year	-	-	-	(1,309,618)	(1,309,618)
<b>Balance, January 31, 2021</b>	<b>2,929,776</b>	<b>392,631</b>	<b>99,398</b>	<b>(4,650,055)</b>	<b>(1,228,250)</b>
Common shares issued for private placement <i>(Note 16)</i>	1,000,000	-	-	-	1,000,000
Share issuance costs <i>(Note 16)</i>	(39,115)	-	-	-	(39,115)
Common shares issued for settlement of debt <i>(Note 16)</i>	299,000	-	-	-	299,000
Common shares issued on exercise of stock options <i>(Note 16, 17)</i>	41,820	(24,270)	-	-	17,550
Common shares issued on exercise of stock options <i>(Note 16, 17)</i>	297,000	(197,000)	-	-	100,000
Issuance of stock options <i>(Note 17)</i>	-	180,663	-	-	180,663
Net loss for the year	-	-	-	(8,844,970)	(8,844,970)
<b>Balance, January 31, 2022</b>	<b>4,528,481</b>	<b>352,024</b>	<b>99,398</b>	<b>(13,495,025)</b>	<b>(8,515,122)</b>

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

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

## Consolidated Statements of Cash Flows

For the Years Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

	2022	2021
	\$	\$
Cash was provided by (used) in the following activities:		
<b>Operating activities</b>		
Net loss for the year	(8,844,970)	(1,309,618)
Items not requiring an outlay of cash:		
Accretion	19,971	1,605
Deferred tax liability	(53,147)	
Depreciation	237,694	112,975
Depreciation of right-of-use assets	946,027	129,137
Amortization of intangible assets - trade name	200,556	
Amortization	50,822	-
Government assistance	(20,158)	(142,486)
Interest on lease liabilities	668,951	76,566
Impairment expense	331,147	330,040
Impairment of goodwill	6,919,963	-
Stock-based compensation	180,663	-
<b>Change in non-cash working capital:</b>		
Harmonized sales tax receivable	448,109	41,781
Accounts receivable	(462,348)	-
Inventory	(14,191)	(19,455)
Prepaid expenses	53,944	23,803
Contract liability	112,505	-
Trade and other payables	189,987	439,393
<b>Cash flows provided by (used in) operating activities</b>	<b>965,525</b>	<b>(316,259)</b>
<b>Financing activities</b>		
Loans payable	225,865	547,832
Government loan	-	300,000
Lease payments	(1,472,156)	(127,655)
Proceeds from exercise of options	117,550	-
Net cash proceeds from private placement	960,885	-
<b>Cash flows provided by (used in) financing activities</b>	<b>(167,856)</b>	<b>720,177</b>
<b>Investing activities</b>		
Purchase of property and equipment	(98,194)	(233,642)
Proceeds from disposition of property and equipment	12,623	-
<b>Cash flows used in investing activities</b>	<b>(85,571)</b>	<b>(233,642)</b>
<b>Increase in cash during the year</b>	<b>712,098</b>	<b>170,276</b>
<b>Cash, beginning of year</b>	<b>298,256</b>	<b>127,980</b>
<b>Cash, end of year</b>	<b>1,010,354</b>	<b>298,256</b>
<b>Non-cash transactions</b>		
Issuance of stock options	180,663	-
Common shares issued for conversion of debt	237,997	193,600
Acquisition of 180 Smoke (Note 9)		

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



# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

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## 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. On November 17, 2021, the Company changed its name from Spyder Cannabis Inc. to Delota Corp. 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 and Offside Cannabis. The Company's corporate and registered office is 7941 Jane Street, Unit 2, Concord, Ontario, L4K 2M7.

These consolidated financial statements of the Company have been prepared on a going concern basis which presumes 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 year ended January 31, 2022, the Company incurred a net loss of \$8,844,970 (January 31, 2021 - \$1,309,618), had an accumulated deficit of \$13,495,025 (January 31, 2021 - \$4,650,055) as at January 31, 2022 and had a working capital deficiency of \$11,600,886 (January 31, 2021 - \$1,185,807) as at January 31, 2022. 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. The continuing operations of the Company are dependent on funding. The Company intends to finance its future requirements through a combination of debt or equity financing. There is no assurance that the Company will be able to obtain such financing or obtain them on favorable terms. These material uncertainties cast significant doubt as to the Company's ability to continue as a going concern. As at January 31, 2022 and 2021, these consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## 2. Basis of Preparation

### a) Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect as at January 31, 2022.

These consolidated financial statements were authorized for issuance by the Company's Audit Committee and its Board of Directors on May 31, 2022.

### b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except where otherwise disclosed. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

# **Delota Corp.** (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

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## **2. Basis of Preparation** (continued)

### c) Functional and Presentation Currency

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

### d) 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 the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. These 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.

### e) Use of Estimates and Judgements

The preparation of these 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 consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these 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.

For public company stock options and share-purchase 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.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

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## 3. Significant Accounting Policies

The significant accounting policies applied by the Company and used in preparation of these consolidated financial statements are described below:

### Cash

Cash includes cash on hand, balances held in trust by counsel, cash deposits in financial institutions and other short-term deposits that are readily convertible into cash. Short-term deposits with maturity dates greater than 90 days are classified as short-term investments.

### Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs are comprised of all variable costs, and certain fixed costs, incurred in bringing inventory to the location and in a condition necessary for sale to customers. Storage and administrative overhead are expensed as incurred. Supplier rebates and discounts are recorded as a reduction in the cost of goods sold.

### 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 does not exceed more than 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 the consolidated statements of operations and comprehensive loss.

### Goodwill

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash generating units ("CGU") to which it relates. Goodwill is not amortized but is evaluated for impairment against the carrying amount of the CGU annually or more often if events or circumstances indicate that there may be an impairment. The carrying amount of a CGU includes the carrying amount of assets, liabilities and goodwill allocated to the CGU. If the recoverable amount is less than the carrying value, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to the other non-financial assets of the CGU proportionately based on the carrying amount of each asset. Any impairment loss is charged to income in the period in which the impairment is identified. Goodwill is stated at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

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## 3. Significant Accounting Policies (continued)

### 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 consolidated statements of financial position date and non-monetary items are translated at historical exchange rates. Related exchange gains and losses are included in the consolidated statements of operations and comprehensive loss for the period.

### Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is provided using the following methods at rates intended to depreciate the costs of the assets over their estimated use lives:

<b>Asset</b>	<b>Method</b>	<b>Rate</b>
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years
Automobile	Declining balance	30%
Website and signs	Straight-line	2 years

When a property and equipment asset has significant components with different useful lives, each significant component is depreciated separately. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated statements of operations and comprehensive loss.

Other subsequent expenditures are capitalized if future economic benefits will arise from the expenditure. All other expenditures, including repairs and maintenance, are recognized in the consolidated statements of operations and comprehensive loss.

### 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.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

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## 3. Significant Accounting Policies (continued)

### Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets acquired are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of operations and comprehensive loss. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently when circumstances indicate that the carrying value may not be recoverable.

Asset type	Amortization method	Amortization term
Website and ERP	Straight-line	10 years
Trade name	Straight-line	15 years

Estimated useful life of an intangible asset is the lesser of the economic life of the intangible asset and the number of years the right is legally enforceable. The estimated useful life, residual value and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Following initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

### 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 an interest expense, which is recognized in finance costs over the lease term in the Company's consolidated statements of operations and comprehensive loss.

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.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

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## 3. Significant Accounting Policies (continued)

### Leases (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated 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 or a net investment payable in accounts payable and accrued liabilities in the consolidated statements of financial position.

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, 2022 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.

### Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the expected service 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. Valuation models such as Black-Scholes are used to measure the fair value of the instruments issued when there are sufficient and reliable observable market inputs. The offset to the recorded cost is applied to contributed surplus. Consideration received on the exercise of stock options and the related contributed surplus is recorded as share capital and the related contributed surplus is transferred to share capital.

# **Delota Corp.** (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

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## **3. Significant Accounting Policies** (continued)

### **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 received government assistance in the form of grants as noted in Note 15.

### **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.

The Company records revenue in accordance with the five steps as outlined below:

- 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 Company 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.

### **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.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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## 3. Significant Accounting Policies (continued)

### 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.

### Income taxes

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



# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended January 31, 2022 and 2021

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## 3. Significant Accounting Policies (continued)

### Income taxes (continued)

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 reviewed at each reporting period and reduced to the extent that it is no longer probable that the asset will be recovered.

### 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 consolidated statements of operations during the period in which the change occurs. Realized and unrealized gains or losses resulting from assets held at FVTPL are included in the consolidated statements of operations and comprehensive loss 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 statements 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.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

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## 3. Significant Accounting Policies (continued)

### Financial instruments (continued)

The Company has made the following classifications:

<b>Financial instrument</b>	<b>Classification</b>
Cash	FVTPL
Government loan	FVTPL
Trade and other payables	Other financial liabilities
Loans payable	Other financial liabilities
Promissory note	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.

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.

### Loss per common share

Basic loss per common share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

### New standards not yet adopted and interpretations issued but not yet effective

The following amendments and standards have been recently issued but are not yet effective. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

### 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.

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Notes to the Consolidated Financial Statements

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## 3. Significant Accounting Policies (continued)

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

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.

## 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 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.

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## 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 assumptions of these inputs.

### *Carrying values of tangible assets*

The Company assesses the carrying value of its tangible assets annually or more frequently if indicators of impairment exist. 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.

### *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.

### *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.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

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## 4. Use of Judgements and Estimates (continued)

### *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 years ended January 31, 2022 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:

- The acquisition of 180 Smoke (Note 9);
- Reduce discretionary spending where possible;
- 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.

### *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.

### *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.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended January 31, 2022 and 2021

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## 4. Use of Judgements and Estimates (continued)

### *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.

### *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 fair value 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. Inventory

As part of the acquisition of 180 Smoke, the Company acquired inventory in the amount of \$1,279,735 during the year ended January 31, 2022. As at January 31, 2022 and January 31, 2021, the Company's inventory was comprised of the following:

	2022	2021
	\$	\$
Raw materials	144,230	-
Work-in-progress	5,586	-
Finished goods	1,315,410	171,300
<b>Total inventory balance at the lower of cost and net realizable value</b>	<b>1,465,226</b>	<b>171,300</b>

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

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## 6. Intangible Assets

The Company's intangible assets include the costs to develop its website and enterprise resource planning software. Changes to the intangible assets balance during the year ended January 31, 2022 consist of the following:

Cost:	Website and ERP \$	Trade name \$
<b>As at January 31, 2021</b>	-	-
Additions	471,251	3,610,000
<b>As at January 31, 2022</b>	<b>471,251</b>	<b>3,610,000</b>
<b>Accumulated amortization:</b>		
<b>As at January 31, 2021</b>	-	-
Amortization	50,822	200,556
<b>As at January 31, 2022</b>	<b>50,822</b>	<b>200,556</b>
<b>Carrying amount:</b>		
As at January 31, 2021	-	-
<b>As at January 31, 2022</b>	<b>420,429</b>	<b>3,409,444</b>

During the year ended January 31, 2022, the Company recorded amortization expense related to the website and ERP in the amount of \$50,822 (January 31, 2021 - \$nil) and the trade name in the amount of \$200,556 (January 31, 2021 - \$nil).

## 7. 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 \$
<b>Cost</b>						
<b>As at January 31, 2020</b>	<b>81,565</b>	-	<b>22,289</b>	<b>299,763</b>	<b>85,579</b>	<b>489,196</b>
Additions	52,374	-	10,174	168,148	2,946	233,642
Disposals	(42,442)	-	(2,381)	(241,161)	(7,880)	(293,864)
<b>As at January 31, 2021</b>	<b>91,497</b>	-	<b>30,082</b>	<b>226,750</b>	<b>80,645</b>	<b>428,974</b>
Additions	294,739	34,226	19,722	702,170	2,469	1,053,326
Disposals	-	-	-	-	(39,644)	(39,644)
<b>As at January 31, 2022</b>	<b>386,236</b>	<b>34,226</b>	<b>49,804</b>	<b>928,920</b>	<b>43,470</b>	<b>1,442,656</b>
<b>Accumulated depreciation</b>						
<b>As at January 31, 2020</b>	<b>31,598</b>	-	<b>16,090</b>	<b>114,371</b>	<b>62,444</b>	<b>224,503</b>
Depreciation	23,868	-	5,122	73,838	10,147	112,975
Disposals	(20,841)	-	(2,381)	(96,555)	(7,880)	(127,657)
<b>As at January 31, 2021</b>	<b>34,625</b>	-	<b>18,831</b>	<b>91,654</b>	<b>64,711</b>	<b>209,821</b>
Depreciation	40,308	5,249	10,945	165,674	15,518	237,694
Disposals	-	-	-	-	(39,644)	(39,644)
<b>As at January 31, 2022</b>	<b>74,933</b>	<b>5,249</b>	<b>29,776</b>	<b>257,328</b>	<b>40,585</b>	<b>407,871</b>
<b>Net book value (\$)</b>						
<b>As at January 31, 2021</b>	<b>56,872</b>	-	<b>11,251</b>	<b>135,096</b>	<b>15,934</b>	<b>219,153</b>
<b>As at January 31, 2022</b>	<b>311,303</b>	<b>28,977</b>	<b>20,028</b>	<b>671,592</b>	<b>2,885</b>	<b>1,034,785</b>

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

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## 7. Property and Equipment (continued)

During the year ended January 31, 2022, the Company recorded depreciation expense related to property and equipment in the amount of \$237,694 (January 31, 2021 - \$112,975).

## 8. Right-of-use Assets

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

	\$
<b>Balance, January 31, 2020</b>	<b>653,813</b>
Disposals during the year	(54,700)
Depreciation during the year	(129,137)
<b>Balance, January 31, 2021</b>	<b>469,976</b>
Acquisition of 180 Smoke ( <i>Note 9</i> )	5,201,946
Additions during the year	651,365
Disposals during the year	(339,296)
Depreciation during the year	(946,027)
<b>Balance, January 31, 2022</b>	<b>5,037,964</b>

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

## 9. 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 promissory note of \$11,129,171 and nominal consideration of \$1.

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.



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## 9. Acquisition of 180 Smoke (continued)

	\$
<b>Consideration paid</b>	
Cash consideration	1
Promissory note	11,129,171
<b>Total consideration paid</b>	<b>11,129,172</b>
<b>Purchase Price Allocation</b>	
<i>Assets acquired</i>	
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
<i>Total assets</i>	<b>8,733,324</b>
<i>Liabilities assumed</i>	
Accounts payable and accrued liabilities	1,026,407
Income taxes payable	5,767
Contract liability	261,302
Lease liabilities	5,883,989
<i>Total liabilities</i>	<b>7,177,465</b>
<b>Excess of consideration over net assets acquired</b>	<b>9,573,313</b>
Amount allocated to intangible assets - 180 Smoke trade name	3,610,000
Amount deferred tax liability	(956,650)
Amount allocated to goodwill	6,919,963
	<b>9,573,313</b>

Following the Acquisition, the Company determined that the amount allocated to goodwill was deemed impaired as a result of the consideration paid being higher than the value of the 180 Smoke business. This was mainly attributable to the consideration associated with the promissory note. The Company subsequently settled the promissory note as detailed in Note 13. During the year ended January 31, 2022, the Company recorded an impairment of goodwill in the amount of \$6,919,963 (January 31, 2021 - \$nil), which was reported on the Company's consolidated statements of operations and comprehensive loss.

## 10. 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 12.00% - 12.56%.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

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## 10. Lease Liabilities (continued)

The following represents the Company's lease obligations as at January 31, 2022:

	\$
<b>Balance, January 31, 2020</b>	<b>715,662</b>
Additions (disposals) during the year	(54,698)
Interest expense	76,566
Lease payments	(127,655)
<b>Balance, January 31, 2021</b>	<b>609,875</b>
Acquisition of 180 Smoke (Note 9)	5,883,989
Additions during the year	651,365
Forgiveness of lease liability	(261,908)
Interest expense	668,951
Lease payments	(1,472,156)
<b>Balance, January 31, 2022</b>	<b>6,080,116</b>

Summary:

	2022	2021
	\$	\$
Current portion of lease liabilities	<b>590,260</b>	57,569
Non-current lease liabilities	<b>5,489,856</b>	552,306
<b>Balance, January 31, 2022</b>	<b>6,080,116</b>	609,875

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 January 31, 2022 are as follows:

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

## 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 9) in the amount of \$261,302. Subsequent to the Acquisition of 180 Smoke, the Company received advanced payments from customers in the amount of \$233,066 and recognized performance obligations in the amount of \$120,561. As at January 31, 2022, this contract liability amounted to \$373,807 (January 31, 2021 - \$nil). The current portion of this contract liability amounted to \$109,241.

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## 12. Loans Payable

Loans payable are comprised of the following:

	January 31, 2022	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.	23,227	38,507
Loans payable, interest bearing at rates between 12% - 24% per annum, interest only payments, monthly, secured and due on demand.	726,150	903,353
	749,377	945,714
Less: current portion	(749,377)	(925,567)
<b>Balance, January 31, 2022 and January 31, 2021</b>	<b>-</b>	<b>20,147</b>

## 13. Promissory Note

The Company's promissory note is unsecured, non-interest bearing and due on demand and is held by 2766563 Ontario Inc. ("276 Ontario"). The promissory note arose from the Company's acquisition of 180 Smoke (Note 9) and has a principal amount of \$11,129,171. Subsequent to year-end, the Company acquired all of the issuing and outstanding common shares of 276 Ontario through the issuance of an aggregate of 12,000,001 common shares of the Company, at a price of \$0.25 per common share. As a result of the acquisition of 276 Ontario, the Company's promissory note held with 276 Ontario is eliminated on consolidation.

## 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 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 on or before such date. 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.

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## 14. Government Loan (continued)

During the year ended January 31, 2022, the repayment related to the CEBA Loan was extended to December 31, 2023. The maturity extension resulted in a modification of debt which resulted in a gain recognized in the amount of \$20,158 which has been recorded in government assistance on the consolidated statements of operations and comprehensive loss.

Accretion expense on the CEBA Loan during the year ended January 31, 2022 amounted to \$19,971 (January 31, 2021 - \$1,605). As at January 31, 2022, the fair value of the CEBA Loan amounted to \$158,933 (January 31, 2021 - \$159,119).

## 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 year ended January 31, 2022, the Company has received approximately \$15,446 (January 31, 2021 - \$44,365) as a wage subsidy under the CEWS. This has been recognized in the consolidated statements of operations and comprehensive loss as a reduction to the related expenses.

During the year ended January 31, 2022, the Company received approximately \$151,016 (January 31, 2021 - \$nil) as a COVID-19 Business Support Grant. This has been recognized in the consolidated statements of operations and comprehensive loss as government assistance.

## 16. 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.

	#	\$
<b>Balance, January 31, 2020</b>	<b>8,643,825</b>	<b>2,736,176</b>
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
<b>Balance, January 31, 2021</b>	<b>9,418,225</b>	<b>2,929,776</b>
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
<b>Balance, January 31, 2022</b>	<b>14,809,614</b>	<b>4,528,481</b>

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Consolidated Financial Statements

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## 16. Share Capital (continued)

During the year ended January 31, 2022, 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. The Company adopted the residual method with respect to the measurement of the Warrants and accordingly, the difference between the proceeds raised and the value of the common shares is the residual value of the Warrants, which amounted to \$nil. 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.

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 January 31, 2022 and 2021, no preferred shares were issued and outstanding.

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## 17. 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.

A summary of the Company’s options outstanding as at January 31, 2022 and January 31, 2021 are as follows:

	January 31, 2022			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 year	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 year	735,000	0.45	3.08	770,280	0.35	2.33
Exercisable, end of the year	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

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## 17. Share-based Payments (continued)

### 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:

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 year ended January 31, 2022, the Company expensed \$180,663 (January 31, 2021 - \$nil) in the fair value of Options as a result of the above issuance which has been recorded as stock-based compensation.

## 18. Warrants

A summary of the Company's warrants outstanding as at January 31, 2022 and January 31, 2021 are as follows:

	January 31, 2022			January 31, 2021		
	Warrants Outstanding (#)	Weighted Average Exercise Price (\$)	Weighted Average Life Remaining (yrs)	Warrants Outstanding (#)	Weighted Average Exercise Price (\$)	Weighted Average Life Remaining (yrs)
Balance, beginning of the year	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
<b>Balance, end of the year</b>	<b>2,962,956</b>	<b>0.68</b>	<b>1.50</b>	<b>198,467</b>	<b>1.50</b>	<b>0.30</b>
<b>Exercisable, end of the year</b>	<b>2,962,956</b>	<b>0.68</b>	<b>1.50</b>	<b>198,467</b>	<b>1.50</b>	<b>0.30</b>

During the year ended January 31, 2022, the Company issued 2,962,956 warrants, as disclosed in Note 16.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

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## 19. General and Administrative Expenses

General and administrative expenses for the years ended January 31, 2022 and 2021 are comprised of the following:

	2022	2021
	\$	\$
Salaries and wages	4,210,824	301,775
Rent and utilities	638,479	208,464
Delivery	549,226	-
Office and general	947,311	231,111
Professional fees	540,730	264,057
Advertising and promotion	246,898	-
Stock-based compensation	180,663	-
Insurance	166,557	40,819
Repairs and maintenance	110,956	-
Bank charges	250,662	24,700
Foreign exchange loss	7,325	-
Depreciation	237,694	112,975
Depreciation of right-of-use assets	946,027	129,137
Amortization	50,822	-
	9,084,174	1,313,038

## 20. Finance Charges

Finance charges for the years ended January 31, 2022 and 2021 are comprised of the following:

	2022	2021
	\$	\$
Interest on loans payable	123,202	115,821
Interest on lease liabilities	668,951	76,566
Accretion	19,971	1,605
	812,124	193,992

## 21. 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.



# Delota Corp. (Formerly, Spyder Cannabis Inc.)

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## 21. Capital Management (continued)

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the board of directors on an ongoing basis.

The Company's equity comprises of share capital, contributed surplus, warrant reserve, and accumulated deficit. As at January 31, 2022, the Company has a shareholders' deficiency of \$8,515,122 (January 31, 2021 - \$1,228,250). Note that included in the consolidated statements of financial position presented is a deficit of \$13,495,025 as at January 31, 2022 (January 31, 2021 - \$4,650,055).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the board of directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended January 31, 2022. The Company is not subject to any external capital requirements.

## 22. 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.

### *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 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.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

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## 22. Financial Management and Risk Assessment (continued)

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 January 31, 2022, 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 or non-interest bearing, 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.

The following table summarizes the amount of contractual undiscounted future cash flow requirements for financial liabilities as at January 31, 2022 is as follows:

<b>Contractual obligations</b>	<b>Within 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	2,077,165	-	-	2,077,165
Lease liabilities	1,720,720	5,111,739	1,954,286	8,786,745
Loans payable	749,377	-	-	749,377
Promissory note	11,129,171	-	-	11,129,171
<b>Total contractual obligations</b>	<b>15,676,433</b>	<b>5,111,739</b>	<b>1,954,286</b>	<b>22,742,458</b>

As at January 31, 2022, 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.

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## 23. 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 year ended January 31, 2022 and 2021 is as follows:

	2022	2021
	\$	\$
Salaries and other short-term employee benefits	555,039	57,140
Car allowance to director	6,750	-
Share based compensation expense	157,861	-
Director fees	27,000	-
	746,650	57,140

During the years ended January 31, 2022 and 2021, the Company had the following related party transactions and balances:

- a) During the year ended January 31, 2022, the Company accrued professional and consulting fees in the amount of \$nil (2021 - \$40,000) to Peldren Holdings Inc., a company controlled by Mark Pelchovitz, a director of the Company;
- b) Included in loans payable (Note 12), 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 of the Company;
  - ii) \$25,000 of loans payable owed to the brother of a director of the Company, Daniel Pelchovitz; and
  - iii) \$22,350 of loans payable owed to the spouse of Mark Pelchovitz, director 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 Mark Pelchovitz, a director of the Company;
  - ii) \$34,260 of wages payable and owing to Daniel Pelchovitz, a director of the Company;
  - iii) \$23,340 of wages payable and owing to the spouse of Mark Pelchovitz, director of the Company; and
  - iv) \$27,000 of director fees payable to Steven Glaser, Marc Askenasi and Mark Pelchovitz.

On April 1, 2021, and as disclosed in Note 16, Steven Glaser, a director of the Company, participated in the Offering and received 30,000 Units for an aggregate subscription price of \$10,125.

On March 16, 2021, and as disclosed in Note 16, 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 price of \$0.15 per share, in settlement of an aggregate of approximately \$237,997 in indebtedness.

# Delota Corp. (Formerly, Spyder Cannabis Inc.)

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## 24. Income Taxes

### a) Income tax expense:

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in the consolidated financial statements:

	2022	2021
	\$	\$
Loss before income taxes	(8,898,117)	(1,309,618)
Statutory income tax rate	26.50%	26.50%
Expected income taxes recovery at statutory income tax rate	(2,358,001)	(347,049)
Changes in income taxes resulting from:		
Temporary tax differences and others	2,045,039	14,252
Deferred tax assets not recognized	259,815	332,797
Provision for income taxes (recovery)	(53,147)	-

### b) Deferred income taxes:

The tax effects of temporary differences that give rise to the deferred income tax assets and liabilities are as follows:

	2022	2021
	\$	\$
Non-capital losses	2,419,000	826,000
Financing costs	35,000	40,800
Property and equipment	4,500	60,200
Intangible assets - trade name	(903,503)	-
Right of use assets and lease liabilities, net	238,500	37,100
Less: Unrecognized deferred tax assets	(2,697,000)	(964,100)
Total	(903,503)	-

The Company has capital losses carried forward of approximately \$9,126,000 which will begin to expire in 2035 - 2042.

## 25. Comparative Amounts

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

## 26. Subsequent Events

On March 30, 2022, the Company settled the outstanding promissory note as detailed in Note 13.