



Delota Corp.
(Formerly, Spyder Cannabis Inc.)

**Condensed Interim Consolidated Financial Statements
For the Three Months Ended April 30, 2022 and 2021**
(Unaudited - Expressed in Canadian Dollars)

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Notice to Reader

Under National Instrument 51-102 “Continuous Disclosure Obligations”, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

June 29, 2022

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Statements of Financial Position

As at April 30, 2022 and January 31, 2022

(Unaudited - Expressed in Canadian Dollars)

	April 30, 2022	January 31, 2022
	\$	\$
ASSETS		
Current		
Cash	691,772	1,010,354
Accounts receivable	1,258,561	831,075
Inventory (Note 5)	1,624,843	1,465,226
Prepaid expenses	166,271	195,783
Total current assets	3,741,447	3,502,438
Non-current assets		
Intangible assets (Note 6)	405,695	420,429
Property and equipment (Note 7)	1,020,903	1,034,785
Right-of-use assets (Note 8)	4,843,709	5,037,964
Intangible assets - trade name (Note 6)	3,349,277	3,409,444
Total non-current assets	9,619,584	9,902,622
Total assets	13,361,031	13,405,060
LIABILITIES AND EQUITY		
Current		
Trade and other payables	2,202,172	2,077,166
Harmonized sales tax payable	566,022	448,109
Current portion of lease liabilities (Note 10)	904,829	590,260
Contract liability - current (Note 11)	128,999	109,241
Loans payable (Note 12)	767,153	749,377
Promissory note (Note 13)	-	11,129,171
Total current liabilities	4,569,175	15,103,324
Non-current liabilities		
Lease liabilities (Note 10)	5,015,999	5,489,856
Contract liability (Note 11)	294,925	264,566
Government loan (Note 14)	163,583	158,933
Deferred tax liability	887,559	903,503
Total non-current liabilities	6,362,066	6,816,858
Total liabilities	10,931,241	21,920,182
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 16)	7,528,481	4,528,481
Warrants	99,398	99,398
Contributed surplus	352,024	352,024
Deficit	(5,550,113)	(13,495,025)
Total shareholders' equity (deficiency)	2,429,790	(8,515,122)
Total liabilities and shareholders' equity (deficiency)	13,361,031	13,405,060

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the Board of Directors:

(signed) "Mark Pelchovitz" _____, Director

(signed) "Steven Glaser" _____, Director

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

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

For the Three Months Ended April 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

	2022	2021
	\$	\$
Revenue	5,785,867	2,024,938
Cost of goods sold	2,996,104	1,200,627
Gross profit	2,789,763	824,311
Expenses		
General and administrative expenses (<i>Note 19</i>)	2,753,564	976,940
Finance charges (<i>Note 20</i>)	212,632	111,027
Total expenses	2,966,196	1,087,967
Loss before other income (expenses)	(176,433)	(263,656)
Other income	36,397	46,186
Amortization of intangible assets - trade name (<i>Note 6</i>)	(60,167)	-
Gain on acquisition (<i>Note 13</i>)	8,129,171	-
Profit (loss) before income taxes recovery	7,928,968	(217,470)
Deferred tax recovery	15,944	-
Net income (loss) and comprehensive income (loss)	7,944,912	(217,470)
Net income (loss) per share - basic	0.42	(0.02)
Net income (loss) per share - diluted	0.35	(0.02)
Weighted average number of shares outstanding - basic	18,942,948	11,442,621
Weighted average number of shares outstanding - diluted	22,640,904	11,442,621

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

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the Three Months Ended April 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Warrant Reserve	Deficit	Shareholders' Equity (Deficiency)
	\$	\$	\$	\$	\$
Balance, January 31, 2021	2,929,776	392,631	99,398	(4,650,055)	(1,228,250)
Common shares issued for private placement (Note 16)	1,000,000	-	-	-	1,000,000
Share issuance costs (Note 16)	(39,115)	-	-	-	(39,115)
Common shares issued for settlement of debt (Note 16)	299,000	-	-	-	299,000
Common shares issued on exercise of stock options (Note 16, 17)	41,820	(24,270)	-	-	17,550
Net loss for the period	-	-	-	(217,470)	(217,470)
Balance, April 30, 2021	4,231,481	368,361	99,398	(4,867,525)	(168,285)
Balance, January 31, 2022	4,528,481	352,024	99,398	(13,495,025)	(8,515,122)
Common shares issued for the acquisition of 276 Ontario (Note 16)	3,000,000	-	-	-	3,000,000
Net income for the period	-	-	-	7,944,912	7,944,912
Balance, April 30, 2022	7,528,481	352,024	99,398	(5,550,113)	2,429,790

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

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Statements of Cash Flows

For the Three Months Ended April 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

	2022	2021
	\$	\$
Cash was provided by (used) in the following activities:		
Operating activities		
Net loss for the period	7,944,912	(217,470)
Items not requiring an outlay of cash:		
Accretion	4,650	4,656
Deferred tax liability	(15,944)	-
Depreciation	65,364	28,051
Depreciation of right-of-use assets	261,943	116,106
Amortization of intangible assets - trade name	60,167	-
Amortization	14,734	5,132
Interest on lease liabilities	172,486	78,283
Gain on acquisition	(8,129,171)	-
Change in non-cash working capital:		
Sales tax payable	117,913	35,812
Accounts receivable	(427,486)	16,568
Inventory	(159,617)	(65,168)
Prepaid expenses	29,512	(47,682)
Contract liability	50,117	5,918
Trade and other payables	125,006	(162,718)
Cash flows provided by (used in) operating activities	114,586	(202,512)
Financing activities		
Loans payable	17,776	(101,233)
Short-term advances	-	200,000
Proceeds from private placement	-	960,885
Proceeds from exercise of stock options	-	17,550
Lease payments	(399,462)	(158,719)
Cash flows provided by (used in) financing activities	(381,686)	918,483
Investing activities		
Purchase of property and equipment	(51,482)	-
Cash flows used in investing activities	(51,482)	-
Increase (decrease) in cash during the period	(318,582)	715,971
Cash, beginning of period	1,010,354	298,256
Cash, end of period	691,772	1,014,227
Non-cash transactions		
Common shares issued for acquisition (Note 13)	3,000,000	-
Common shares issued for conversion of debt (Note 16)	-	237,997
Acquisition of 180 Smoke (Note 9)		

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

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended April 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

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 condensed interim 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 three months ended April 30, 2022, the Company had net income of \$7,944,912 (April 30, 2021 – net loss of \$217,470), had an accumulated deficit of \$5,550,113 (January 31, 2022 – \$13,495,025) as at April 30, 2022 and had a working capital deficiency of \$827,728 (January 31, 2022 – \$11,600,886) as at April 30, 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 April 30, 2022 and January 31, 2022, these condensed interim 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 condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standards ("IAS") 34 – *Interim Financial Reporting* and do not include all information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 2022. These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements were authorized for issuance by the Company's Audit Committee and its Board of Directors on June 29, 2022.

b) Basis of Measurement

These condensed interim 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 condensed interim 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 Condensed Interim Consolidated Financial Statements

For the Three Months Ended April 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

c) Functional and Presentation Currency

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

d) 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 condensed interim consolidated financial statements from the date that control commences until the date that control ceases. These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: 2360149 Ontario Inc. and its wholly-owned subsidiaries: 420 Wellness Inc. and 180 Smoke LLC; 2766563 Ontario Inc.; 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 condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences.

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

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.

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Notes to the Condensed Interim Consolidated Financial Statements

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3. Significant Accounting Policies

These condensed interim consolidated financial statements have been prepared using the same accounting policies, significant accounting judgements and estimates, and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended January 31, 2022, as described in Note 2 and Note 3 of those consolidated financial statements.

Accounting Policies Adopted in the Current Period

During the three months ended April 30, 2022, the Company adopted *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*, which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment was effective for annual periods beginning on or after January 1, 2022 and the adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

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 condensed interim 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:

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended April 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

4. Use of Judgements and Estimates (continued)

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.

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.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended April 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

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 and 2021 have been materially impacted. Since March 2020, the Company has implemented many strategies to reduce costs and manage liquidity to overcome the negative impacts of the pandemic, including but not limited to the following:

- 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.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended April 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

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 April 30, 2022 and January 31, 2022, the Company's inventory was comprised of the following:

	April 30, 2022	January 31, 2022
	\$	\$
Raw materials	204,978	144,230
Work-in-progress	382	5,586
Finished goods	1,419,483	1,315,410
Total inventory balance at the lower of cost and net realizable value	1,624,843	1,465,226

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended April 30, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

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 three months ended April 30, 2022 consist of the following:

Cost:	Website and ERP	Trade name
	\$	\$
As at January 31, 2021	-	-
Additions	471,251	3,610,000
As at January 31, 2022	471,251	3,610,000
Additions	-	-
As at April 30, 2022	471,251	3,610,000
Accumulated amortization:		
As at January 31, 2021	-	-
Amortization	50,822	200,556
As at January 31, 2022	50,822	200,556
Amortization	14,734	60,167
As at April 30, 2022	65,556	260,723
Carrying amount:		
As at January 31, 2021	-	-
As at January 31, 2022	420,429	3,409,444
As at April 30, 2022	405,695	3,349,277

During the three months ended April 30, 2022, the Company recorded amortization expense related to the website and ERP in the amount of \$14,734 (April 30, 2021 – \$5,132) and the trade name in the amount of \$60,167 (April 30, 2021 – \$nil).

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7. Property and Equipment

Property and equipment is comprised of the following:

	Furniture and equipment \$	Plant and machinery \$	Computer equipment \$	Leasehold improvements \$	Website, signs and automobile \$	Total \$
Cost						
As at January 31, 2021	91,497	-	30,082	226,750	80,645	428,974
Additions	294,739	34,226	19,722	702,170	2,469	1,053,326
Disposals	-	-	-	-	(39,644)	(39,644)
As at January 31, 2022	386,236	34,226	49,804	928,920	43,470	1,442,656
Additions	5,106	-	-	37,240	9,136	51,482
Disposals	-	-	-	-	-	-
As at April 30, 2022	391,342	34,226	49,804	966,160	52,606	1,494,138
Accumulated depreciation						
As at January 31, 2021	34,625	-	18,831	91,654	64,711	209,821
Depreciation	40,308	5,249	10,945	165,674	15,518	237,694
Disposals	-	-	-	-	(39,644)	(39,644)
As at January 31, 2022	74,933	5,249	29,776	257,328	40,585	407,871
Depreciation	12,355	1,522	1,895	48,685	907	65,364
Disposals	-	-	-	-	-	-
As at April 30, 2022	87,288	6,771	31,671	306,013	41,492	473,235
Net book value (\$)						
As at January 31, 2022	311,303	28,977	20,028	671,592	2,885	1,034,785
As at April 30, 2022	304,054	27,455	18,133	660,147	11,114	1,020,903

During the three months ended April 30, 2022, the Company recorded depreciation expense related to property and equipment in the amount of \$65,364 (April 30, 2021 – \$28,051).

8. Right-of-use Assets

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

	\$
Balance, January 31, 2021	469,976
Acquisition of 180 Smoke (Note 6)	5,201,946
Additions during the year	651,365
Disposals during the year	(339,296)
Depreciation during the year	(946,027)
Balance, January 31, 2022	5,037,964
Additions during the period	67,688
Disposals during the period	-
Depreciation during the period	(261,943)
Balance, April 30, 2022	4,843,709

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

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended April 30, 2022 and 2021

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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.

	\$
Consideration paid	
Cash consideration	1
Promissory note	11,129,171
Total consideration paid	11,129,172
Purchase Price Allocation	
<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>	8,733,324
<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>	7,177,465
Excess of consideration over net assets acquired	9,573,313
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
	9,573,313

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, which was reported on the Company’s consolidated statements of operations and comprehensive loss.

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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%.

The following represents the Company's lease obligations as at April 30, 2022:

	\$
Balance, January 31, 2021	609,875
Acquisition of a 180 Smoke (Note 6)	5,883,989
Additions during the year	651,365
Forgiveness of lease liability	(261,908)
Interest expense	668,951
Lease payments	(1,472,156)
Balance, January 31, 2022	6,080,116
Additions during the period	67,688
Interest expense	172,486
Lease payments	(399,462)
Balance, April 30, 2022	5,920,828

Summary:

	April 30, 2022	January 31, 2022
	\$	\$
Current portion of lease liabilities	904,829	590,260
Non-current lease liabilities	5,015,999	5,489,856
Total lease liabilities	5,920,828	6,080,116

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 April 30, 2022 are as follows:

One year	\$1,445,890
Between two to five years	\$5,093,264
More than five years	\$576,871

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 \$313,365 and recognized performance obligations in the amount of \$173,688. As at April 30, 2022, this contract liability amounted to \$423,924 (January 31, 2022 – \$373,807). The current portion of this contract liability amounted to \$128,799 (January 31, 2022 – \$109,241).

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12. Loans Payable

Loans payable are comprised of the following:

	April 30, 2022	January 31, 2022
	\$	\$
Vehicle loan, payable in monthly installments of \$550, non-interest bearing, matures on August 2021 and secured by related vehicle.	-	-
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.	35,496	23,227
Loans payable, interest bearing at rates between 12% - 24% per annum, interest only payments, monthly, secured and due on demand.	731,657	726,150
Balance, April 30, 2022 and January 31, 2022	767,153	749,377

13. Promissory Note

During the year ended January 31, 2022, the Company had a promissory note in the principal amount of \$11,129,171 held by 2766563 Ontario Inc. ("276 Ontario"), which was unsecured, non-interest bearing and due on demand. This promissory note arose from the Company's acquisition of 180 Smoke (Note 9).

On March 30, 2022, 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 has been eliminated on consolidation and a gain on the settlement of debt in the amount of \$8,129,171 was recorded during the three months ended April 30, 2022.

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 during the year ended January 31, 2022.

Accretion expense on the CEBA Loan during the three months ended April 30, 2022 amounted to \$4,650 (April 30, 2021 – \$4,656). As at April 30, 2022, the fair value of the CEBA Loan amounted to \$163,583 (January 31, 2022 - \$158,933).

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 three months ended April 30, 2022, the Company has received \$nil (April 30, 2021 – \$6,186) as a wage subsidy under the CEWS. This has been recognized in the condensed interim consolidated statements of operations and comprehensive loss as a reduction to the related expenses.

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.

	#	\$
Balance, January 31, 2021	9,418,225	2,929,776
Common shares issued for the exercise of options	35,100	41,820
Common shares issued for the settlement of debt	1,993,333	299,000
Common shares issued for private placement	2,962,956	960,885
Common shares issued for the exercise of options	400,000	297,000
Balance, January 31, 2022	14,809,614	4,528,481
Common shares issued for the settlement of debt	12,000,001	3,000,000
Balance, April 30, 2022	26,809,615	7,528,481

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16. Share Capital (continued)

During the three months ended April 30, 2022, the Company had the following common share transactions:

- On March 30, 2022, the Company completed the acquisition of 276 Ontario pursuant to which the Company issued 12,000,001 common shares at a price of \$0.25 per share (Note 13).

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.

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. The preferred shares may be issued in one or more series at the discretion of the Company's board of directors who are authorized to fix the number of preferred shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series.

As at April 30, 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 April 30, 2022 and January 31, 2022 are as follows:

	April 30, 2022			January 31, 2022		
	Options Outstanding (#)	Weighted Average Exercise Price (\$)	Weighted Average Life Remaining (yrs)	Options Outstanding (#)	Weighted Average Exercise Price (\$)	Weighted Average Life Remaining (yrs)
Balance, beginning of the period	735,000	0.50	3.08	770,280	0.35	2.33
Granted	-	-	-	515,000	0.50	4.00
Expired or cancelled	-	-	-	(115,140)	0.50	-
Exercised	-	-	-	(435,140)	0.25	-
Balance, end of the period	735,000	0.50	2.59	735,000	0.50	3.08
Exercisable, end of the period	735,000	0.50	2.59	735,000	0.50	3.08

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 three months ended April 30, 2022, the Company expensed \$nil (April 30, 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 April 30, 2022 and January 31, 2022 are as follows:

	April 30, 2022			January 31, 2022		
	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 period	2,962,956	0.68	1.50	198,467	1.50	0.3
Expired	-	-	-	(198,467)	1.50	-
Granted (expired)	-	-	-	2,962,956	0.68	2.00
Balance, end of the period	2,962,956	0.68	0.92	2,962,956	0.68	1.50
Exercisable, end of the period	2,962,956	0.68	0.92	2,962,956	0.68	1.50

The Company did not issue any common share purchase warrants during the three months ended April 30, 2022 and 2021.

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19. General and Administrative Expenses

General and administrative expenses for the three months ended April 30, 2022 and 2021 are comprised of the following:

	2022	2021
	\$	\$
Salaries and wages	1,378,378	406,280
Rent and utilities	214,389	86,125
Delivery	137,642	87,855
Office and general	425,976	141,324
Professional fees	50,053	75,387
Advertising and promotion	78,053	16,286
Insurance	84,277	7,584
Repairs and maintenance	45,830	9,069
Foreign exchange gain	(3,075)	(2,259)
Depreciation	65,364	28,051
Depreciation of right-of-use assets	261,943	116,106
Amortization	14,734	5,132
	2,753,564	976,940

20. Finance Charges

Finance charges for the three months ended April 30, 2022 and 2021 are comprised of the following:

	2022	2021
	\$	\$
Interest on loans payable	35,496	28,088
Interest on lease liabilities	172,486	78,283
Accretion	4,650	4,656
	212,632	111,027

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.

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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 April 30, 2022, the Company's shareholders' equity amounted to \$2,429,790 (January 31, 2022 – shareholders' deficiency of \$8,515,122). Note that included in the condensed interim consolidated statements of financial position presented is a deficit of \$5,550,113 as at April 30, 2022 (January 31, 2022 – \$13,495,025).

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 three months ended April 30, 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.

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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 April 30, 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 April 30, 2022 is as follows:

	1 year	2 to 5 years	>5 years	Total
April 30, 2022	\$	\$	\$	\$
Trade and other payables	2,202,172	-	-	2,202,172
Lease liabilities	1,445,890	5,093,264	576,871	7,116,025
Loans payable	767,153	-	-	767,153
	4,415,215	5,093,264	576,871	10,085,350
	1 year	2 to 5 years	>5 years	Total
January 31, 2022	\$	\$	\$	\$
Trade and other payables	2,077,165	-	-	2,077,165
Lease liabilities	1,720,720	5,111,739	1,954,286	8,786,745
Promissory note	11,129,171	-	-	11,129,171
Loans payable	749,377	-	-	749,377
	15,676,433	5,111,739	1,954,286	22,742,458

As at April 30, 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 three months ended April 30, 2022 and 2021 is as follows:

	2022	2021
	\$	\$
Salaries and other short-term employee benefits	156,202	18,720
Car allowance paid to director	2,250	-
Director fees	13,500	-
	171,952	18,720

During the three months ended April 30, 2022 and 2021, the Company had the following related party transactions and balances:

- a. 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;
- b. 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) \$40,500 of director fees payable to Steven Glaser, Marc Askenasi and Mark Pelchovitz.

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.

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.

24. Comparative Amounts

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