Delota Corp. (formerly, Spyder Cannabis Inc.)
(the "Company")

FORM 2A

LISTING STATEMENT

The table below represents the Canadian Securities Exchange requirements and the corresponding pages from the Company's annual information form dated January 31, 2023 (the "**AIF**") filed on SEDAR (www.sedar.com), attached as Appendix A to Schedule "A".

CSE Listing Application Item	Delota Corp's AIF Item	Page Number
Corporate Structure	Corporate Structure	12
General Development of the Business	General Development of the Business	12 - 17
Narrative Description of the Business	Description of the Business, Regulatory Overview	17 – 23, 23 – 28
Selected Consolidated Financial Information	N/A	N/A
Annual Information	N/A	N/A
Quarterly Information	N/A	N/A
Dividends	Dividends and Distributions	29
Foreign GAAP	N/A	N/A
Management's Discussion and Analysis	N/A	N/A
Annual MD&A	N/A	N/A
Interim MD&A	N/A	N/A
Market for Securities	Market for Securities	35-36
Consolidated Capitalization	N/A	N/A
Options to Purchase Securities	N/A	N/A
Description of the Securities	Description of Capital Structure	29 - 35
Escrowed Securities	Escrowed Securities	36
Principal Shareholders	N/A	N/A
Directors and Officers	Directors and Officers, Audit Committee	36 – 41, 42 – 44
Capitalization	N/A	N/A
Executive Compensation	NA	N/A
Indebtedness of Directors and Executive Officers	Additional Information	44
Risk Factors	Risk Factors	28 – 29

Promoters	Promoters	41
Legal Proceedings	Legal Proceedings and Regulatory Actions	41
Interest of Management and Others in Material Transactions	Interest of Management and Others in Material Transactions	41
Auditors, Transfer Agents, and Registrars	Transfer Agents and Registrars	42
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Interest of Experts	Interests of Experts	42
Other Material Facts	N/A	N/A
Financial Statements	N/A	N/A

Schedule “A” – Appendix A, Annual Information Form

Schedule “A” – Appendix B, Supplemental information to Annual Information Form

Schedule “B” – Form 2A, Supplemental information to Narrative Description of Business

Schedule “C” – Form 2A, Selected Consolidated Financial Information

Schedule “D” – Form 2A, Management’s Discussion and Analysis

Schedule “E” – Form 2A, Consolidated Capitalization

Schedule “F” – Form 2A, Options to Purchase Securities

Schedule “G” – Form 2A, Principal Shareholders

Schedule “H” – Form 2A, Capitalization

Schedule “I” – Form 2A, Executive Compensation

Schedule “J” – Form 2A, Other Material Facts

Schedule “K” – Form 2A, Financial Statements

CERTIFICATE OF THE COMPANY

Dated May 10, 2023.

Pursuant to a resolution duly passed by its board of directors, Delota Corp., hereby applies for the listing of the above-mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true, and plain disclosure of all material information relating to Delota Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

signed "Cameron Wickham"	*signed "Ankit Gosain"*
Cameron Wickham Chief Executive Officer	Ankit Gosain Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY

signed "Mark Pelchovitz"	*signed "Steven Glaser"*
Mark Pelchovitz Director	Steven Glaser Director

BY THE PROMOTER OF THE COMPANY

signed "Cameron Wickham"

Cameron Wickham
Promoter

Schedule “A”

Appendix A - Annual Information Form

(See attached)

DELOTA CORP.

(Formerly, Spyder Cannabis Inc.)

Annual Information Form

For the Fiscal Year Ended January 31, 2022

Dated as of January 31, 2023

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ANNUAL INFORMATION FORM

This Annual Information Form (as defined herein) is dated as of January 31, 2023 (the "**AIF Date**"), and unless otherwise indicated, the information contained herein is dated as of the last day of the most recently completed fiscal year of Delota Corp. (formerly, Spyder Cannabis Inc.) ended January 31, 2022 (the "**Fiscal Year-End Date**"). All figures in this Annual Information Form are reported on a post-Consolidation (as defined herein) basis unless otherwise stated.

In this Annual Information Form, "**Delota**" or the "**Company**" means Delota Corp. (formerly, Spyder Cannabis Inc.), and where the context so requires, includes its Subsidiaries (as defined herein) and predecessors. All financial information and all dollar amounts in this Annual Information Form are prepared in Canadian dollars, unless otherwise indicated, and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IASB**").

MARKET AND INDUSTRY DATA

This Annual Information Form may include market, industry data, and statistical information that has been obtained from third party sources, including industry publications. Market, industry data, and statistical information are subject to variations and cannot be verified with complete certainty due to, among other things, limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Furthermore, third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information.

Although the Company believes that market and industry data included in this Annual Information Form is accurate and that its estimates and assumptions are reasonable, there can be no assurance as to the accuracy or completeness of such data. Except as may be reasonable in the circumstances, the Company has not taken additional steps to independently verify any of the data from third-party sources referred to in this Annual Information Form or ascertained the underlying economic assumptions relied upon by such sources. Accordingly, readers are cautioned not to place undue reliance on the market and industry data included in this Annual Information Form. Except as required by Applicable Securities Laws (as defined herein), the Company does not intend, and does not assume any obligation, to update or revise any such information or data, whether as a result of new information, future events or otherwise.

CAUTIONARY STATEMENTS

Certain statements contained in this Annual Information Form, and in the documents incorporated by reference in this Annual Information Form, constitute "forward-looking information" and "forward-looking statements" (together, "**forward-looking statements**") within the meaning of Applicable Securities Laws and are based on assumptions, expectations, estimates and projections as at the AIF Date. Forward-looking statements relate to future events or future performance and reflect Management's (as defined herein) expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology.

Forward-looking statements in this Annual Information Form and in documents incorporated by reference herein include, but are not limited to, statements with respect to:

- the Business (as defined herein) objectives and milestones and the anticipated timing of, and costs in connection with, the execution or achievement of such objectives and milestones;

- the Company's future growth prospects, intentions to pursue one or more viable Business opportunities, and intended allocation of its capital to one or more segments of the Company's operations (including without limitation, investments in marketing, sales and research and development);

- expectations relating to market size, and appeal of vape and cannabis products to relevant demographics in the jurisdictions within which the Company may from time to time operate or contemplate future operations;

- expectations of economic, Business, regulatory and/or competitive factors related to the Company or the vape or cannabis industries generally;

- the impact of COVID-19 (as defined herein) on the Company's current and future operations;

- the market for the Company's current and proposed product offerings, as well as the Company's ability to capture market share;

- the competitive landscape within which the Company operates and the Company's market share or reach;

- the number of Retail Store Authorizations processed and authorized by applicable cannabis regulatory authorities, and the effect thereof;

- the Company's ability to expand its retail footprint by opening new additional retail store locations the Company proposes to add to the Business;

- the Company's ability to generate cash flow from operations and from financing activities;

- the Company's intention to devote resources to the protection of its intellectual property rights;

- the Company's intention to delist its Common Shares (as defined herein) from the TSXV (as defined herein) and pursue a listing of the Common Shares on the CSE, including the timing thereof; and

- the Company's intention to complete the Continuance (as defined herein).

Forward-looking statements are subject to certain risks and uncertainties. Although Management believes that the expectations reflected in these forward-looking statements are reasonable in light of, among other things, its perception of trends, current conditions and expected developments, as well as other factors that Management believes to be relevant and reasonable in the circumstances at the date that such statements are made, readers are cautioned not to place undue reliance on forward looking statements, as forward looking statements may prove to be incorrect. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements. Importantly, forward-looking statements contained in this Annual Information Form and in documents incorporated by reference are based upon certain assumptions that Management believes to be reasonable based on the information currently available to Management, including, but not limited to, the assumptions that:

- current and future Management will abide by the Business objectives and strategies from time to time established by the Company;

- the Company will retain and supplement its Board (as defined herein) and Management, or otherwise engage consultants and advisors, having knowledge of the industries (or segments thereof) within which the Company may from time to time participate;

- the Company will maintain sufficient financing and working capital required to develop the Business and continue operations;

- the Company will continue to be able to meet its debt obligations to certain creditors;

- no adverse changes will be made to the regulatory framework governing vape or cannabis, taxes and all other applicable matters in the jurisdictions in which the Company conducts the Business and any other jurisdiction in which the Company may from time to time conduct the Business;

- the Company will be able to execute on its Business strategy, as in place from time to time;
- the Company will be able to meet the requirements necessary to obtain and/or maintain Authorizations required to conduct the Business;
- general economic, financial market, regulatory and political conditions in the jurisdictions within which the Company operates from time to time will remain the same;
- the Company will be able to continue to sell its products at competitive prices;
- the Company will be able to effectively manage anticipated and unanticipated costs;
- current and future economic conditions, including the impact of COVID-19, will not negatively affect the Company and Business;
- vape or cannabis prices will not decline materially;
- the Company will be able to conduct its operations in a safe, efficient and effective manner;
- general market conditions will be favourable with respect to the Company's future plans and goals;
- the Company will obtain the necessary approvals from the applicable regulatory bodies to be listed on the CSE if the Board decides to proceed with submitting an application to be listed with the CSE;
- the Company's products will continue to appeal to target demographics;
- the Company will receive the necessary approval of the applicable regulatory body and court to complete the Continuance; and
- the Company will be able to expand its retail footprint.

By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks that could cause results to differ materially from those expressed in forward-looking statements in this Annual Information Form and in documents incorporated by reference herein include:

- the Company's inability to attract and retain qualified members of Management and Key Personnel (as defined herein) to grow the Business and its operations;
- the Company's inability to capitalize on future growth prospects and intentions to pursue one or more viable business opportunities;
- unanticipated changes in economic and market conditions (including changes resulting from COVID-19);
- the impact of the publications of inaccurate or unfavourable research by securities analysts or other third parties;
- unanticipated changes in the vape or cannabis industries in the jurisdictions within which the Company may from time to time conduct its Business and operations, including the Company's inability to respond or adapt to such changes;
- the Company's inability to secure desirable retail store locations on favourable terms;
- the Company's inability to effectively protect its intellectual property;

- the Company's inability to effectively manage unanticipated costs and expenses, including costs and expenses associated with product recalls and judicial or administrative proceedings against the Company;

- the inability of the Company to delist from the TSXV and list on the CSE;

- the inability of the Company to complete the Continuance;

- the inability of the Company to maintain its various existing Authorizations;

- adverse impact of laws and regulations on the Business of Company, particularly pertaining to the marketing, acquisition, manufacturing, management, transportation, storage, sale, packaging and labeling and disposal of nicotine vapes, tobacco cannabis and related products;

- interruptions or shortages in the supply of vape or cannabis products from time to time available to support the Company's operations from time to time;

- negative shifts in public or consumer perception of vape or cannabis products;

- the Company's inability to comply with relevant laws and regulations, including but limited to, corruption and anti-bribery laws, privacy laws, and applicable securities regulations;

- potential exposure to regulatory or agency proceedings, investigations and audits by regulatory bodies resulting from the Company's inability to comply with relevant laws;

- the Company being required to recall products for any reason, including but not limited to, contaminants, unintended harmful side effects, packaging safety, or inadequate or inaccurate labelling disclosure;

- exposure to product liability claims by virtue of selling products designed to be ingested by humans;

- decline in the price of cannabis;

- adverse effects of COVID-19 or other disease outbreaks that may disrupt operations;

- adverse effects on the value of the Company's shares stemming from price volatility of the Company's trading shares;

- the Company's inability to secure additional financing and capital to develop the Business;

- the Company's inability to compete in the vape and cannabis markets;

- the officers, directors and consultants of the Company's inability to manage conflicts of interest between their duties to Company and outside business interests;

- exposure to liability, and damage to the Company's reputation resulting from fraudulent or illegal acts of the Company's employees, independent contractors, consultants, service providers and licensors;

- the Company's inability to develop new products or expand its market share;

- the Company's potential reliance on inaccurate market forecasts;

- the Company's inability to pay dividends that could attract future investments;

- adverse effects of poor cannabis crop yield;

- the Company's inability to claim insurance on potential losses;

- decline in retail prices of vape or cannabis products;
- the Company's inability to secure and maintain efficient transportation services for vape and cannabis products; and
- the Company's inability to secure or maintain favourable lease arrangements necessary to conduct Business and operations.

Readers are cautioned that the foregoing list of factors are not exhaustive. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements, and, in evaluating these forward-looking statements, readers should specifically consider various factors, including the risks outlined under the heading "*Risk Factors*", which may cause actual results to differ materially from the results, performance or achievements of the Company expressed or implied by any forward-looking statements.

The forward-looking statements contained herein are made as of the AIF Date, and except as required by Applicable Securities Laws, the Company does not intend, and does not assume any obligation, to update these forward-looking statements.

CERTAIN DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed by Delota with the Canadian securities regulatory authorities are specifically incorporated by reference into, and form an integral part of, this Annual Information Form:

(a) the material change report of the Company dated March 28, 2019 in respect of the entering into of the Amalgamation (as defined hereinafter) agreement with Spyder Vapes (as defined herein) to complete the Qualifying Transaction (as defined herein);

(b) the filing statement of the Company dated April 30, 2019, prepared in connection with the Qualifying Transaction;

(c) the material change report of the Company dated May 31, 2019 in respect of the Company's completion of its Qualifying Transaction and its concurrent financing for aggregate gross proceeds of $274,500;

(d) the material change report of the Company dated August 30, 2019, in respect of the entering into of a purchase agreement with an arm's length third party (the "**Vendor**") to acquire the Vendor's interest in a development permit issued by the City of Calgary for the operation of a retail cannabis store (the "**Development Permit**") and an assignment of the leased attached to such Development Permit (the "**Lease Assignment**"; together with the Development Permit, the "**DP Assets**"), pursuant to which, the purchase price for the DP Assets will be $175,000, payable through the issuance of 600,000 Common Shares at a deemed price of $0.2915 per share;

(e) the material change report of the Company dated September 12, 2019, in respect of the entering into a memorandum of understanding (the "**MOU**") with HighBreed Growth Corp. ("**HBGC**"), that outlines the general terms and conditions pursuant to which HBGC and the Company would be willing to complete a transaction that will result in a reverse take-over of the Company by HBGC;

(f) the material change report of the Company dated October 8, 2019, in respect of Brandon Kou resigning as a director of the Company;

(g) the material change report of the Company dated November 19, 2019, in respect of the Company acquiring from the Vendor the DP Assets;

(h) the material change report of the Company dated December 31, 2019, in respect of the MOU with HBGC lapsing pursuant to its terms and the Company no longer intending to delist from the TSXV (as defined herein);

(i) the material change report of the Company dated January 10, 2020 in respect of the Company issuing an aggregate of 38,769 Common Shares at a deemed price of $0.325 per Common Share in settlement of an aggregate of $12,600 in services provided by AGORA (as defined herein);

(j) the material change report of the Company dated January 13, 2020 in respect of the Company announcing a non-brokered private placement of senior secured convertible debentures in the aggregate principal amount of up to $1,500,000 and the receipt from the City of Calgary of a building permit on January 10, 2019 for their cannabis store located at 104-58th Ave SW, Calgary, Alberta;

(k) the material change report of the Company dated February 13, 2020 in respect of the Company canceling its non-brokered private placement of senior secured convertible debentures in the aggregate principal amount of up to $1,500,000, securing bridge loans in the amount of $442,000 and the appointment of Ben Leung to the Board (as defined herein);

(l) the material change report of the Company dated July 6, 2020 in respect of the Company receiving a Retail Store Authorization (as defined herein) for its Niagara Falls dispensary located at 6474 Lundy's Lane;

(m) the material change report of the Company dated September 3, 2020 in respect of the completion of a debt settlement transaction pursuant to which the Company issued, to certain creditors of the Company, an aggregate of 774,400 Common Shares at a deemed price of $0.25 per Common Share in settlement of an aggregate of $193,600 in indebtedness of the Company;

(n) the material change report of the Company dated September 28, 2020 in respect of the Company completing a restructuring (the "**Debt Restructuring**") of approximately $226,661 of its outstanding debt held by two creditors, and securing, from the creditors, commitments for additional funding of up to a total of $140,000;

(o) the material change report of the Company dated December 22, 2020 in respect of the Company entering into a loan agreement with an independent third party, pursuant to which the Company secured a loan in the amount of up to $182,000;

(p) the material change report of the Company dated January 27, 2021 in respect of the Company entering into a loan agreement with an independent third party, pursuant to which the Company secured a loan in the amount of up to $200,000;

(q) the material change report of the Company dated February 18, 2021 in respect of the Company receiving notice from the City of Pickering regarding an initial inspection of the Company's then proposed cannabis dispensary located at 776 Liverpool Rd., Unit 4, Pickering, Ontario, L1W 1S2;

(r) the material change report of the Company dated March 1, 2021 in respect of the Company entering into the 180 Smoke Acquisition Agreement (as defined herein) and announcing its intention to complete a non-brokered private placement offering of 2,962,963 units at a price of $0.3375 per unit for gross proceeds of approximately $1,000,000;

(s) the material change report of the Company dated March 19, 2021 in respect of the completion of a debt settlement transaction pursuant to which the Company issued, to certain creditors of the Company, an aggregate of 1,993,333 Common Shares at a deemed price of $0.15 per Common Share in settlement of an aggregate of $299,000 in indebtedness of the Company;

(t) the material change report of the Company dated April 12, 2021 in respect of the closing of the non-brokered private placement offering of 2,962,956 units at a price of $0.3375 per unit for gross proceeds of approximately $1,000,000;

(u) the material change report of the Company dated May 13, 2021 in respect of the resignations of Daniel Pelchovitz, as CEO, and Mark Pelchovitz, as CFO and Corporate Secretary, and the appointment of Cameron Wickham as executive vice chair of the Board, CEO, Corporate Secretary, a Director and member of the Audit Committee (as defined herein), Ankit Gosain as CFO, Mark Pelchovitz as executive chair of the Board and member of the Audit Committee and Steven Glaser as chair of the Audit Committee;

(v) the material change report of the Company dated May 27, 2021 in respect of the appointment of Christina Pan as COO and the grant of certain stock options;

(w) the management information circular of the Company dated June 6, 2021, prepared in connection with the annual general and special meeting of the shareholders of the Company held on July 12, 2021 (the "**2021 Meeting**");

(x) the business acquisition report of the Company dated June 15, 2021, in respect of the Company's acquisition of (i) 2360149 Ontario Inc., (ii) 180 VFC Inc., and (iii) 2488004 Ontario Inc.;

(y) the material change report of the Company dated August 30, 2021 relating to the announcement of the Consolidation;

(z) the material change report of the Company dated September 22, 2021 relating to the completion of the Consolidation on September 17, 2021;

(aa) the material change report of the Company dated November 18, 2021 relating to the completion of the Name Change (as defined herein) on November 17, 2021;

(bb) the audited consolidated financial statements of the Company for the years ended January 31, 2022 and 2021 and the notes thereto, together with the auditor's report thereon (the "**Annual Financial Statements**");

(cc) the management's discussion and analysis of the Company for the Annual Financial Statements; and

(dd) the material change report of the Company dated August 4, 2022 relating to the assignment of an outstanding secured loan in the principal amount of $200,000 between the Company and an independent third party to a corporation controlled by Cameron Wickham, the Chief Executive Officer of the Company (the "**August 2022 Loan Assignment**").

Any statement contained in this Annual Information Form or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Annual Information Form, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this Annual Information Form.

Copies of the documents incorporated by reference in this Annual Information Form may be obtained upon request in writing or by telephone from Garfinkle Biderman LLP, legal counsel to Delota, without charge at 1 Adelaide Street East, Suite 801, Toronto, Ontario, M5C 2V9 (Telephone: 416-869-1234) or from the Company by e-mail, without charge, at info@delota.com. These documents are also available under Delota's profile on SEDAR at www.sedar.com.

GLOSSARY OF TERMS

"**180 Smoke**" means 2360149 Ontario Inc. d/b/a 180 Smoke.

"**180 Smoke Acquisition**" has the meaning ascribed thereto under "*General Development of the Business – Developments during the Financial Year ended January 31, 2022*".

"**180 Smoke Vape Store**" means the trade name under which 180 Smoke's storefronts operate.

"**2020 Debenture Financing**" has the meaning ascribed thereto under "*General Development of the Business – Developments during the Financial Year ended January 31, 2020*".

"**2021 Information Circular**" means the information circular of Delota, dated June 6, 2021, prepared in connection with the annual and special meeting of the shareholders of Delota held on July 12, 2021.

"**2021 Meeting**" means the annual and special meeting of the shareholders of Delota held on July 12, 2021.

"**2021 Offering**" has the meaning ascribed thereto under "*General Development of the Business – Developments during the Financial Year ended January 31, 2022*".

"**2021 Units**" has the meaning ascribed thereto under "*General Development of the Business – Developments during the Financial Year ended January 31, 2022*".

"**276 Ontario**" means 2766563 Ontario Inc.

"**ABCA**" means the *Business Corporations Act* (Alberta), including any regulations promulgated thereunder, as amended.

"**Acceleration Event**" has the meaning set out in "*Description of Capital Structure – Acceleration on Take-Over Bid, Consolidation or Merger Acceleration on Take-Over Bid, Consolidation or Merger*".

"**ACMPR**" has the meaning set out in "*Regulatory Overview – Federal Framework*".

"**Acquisition Co**" means 11304372 Canada Inc.

"**AGCO**" means the Alcohol and Gaming Commission of Ontario.

"**AGLC**" means the Alberta Gaming, Liquor and Cannabis Commission.

"**AGORA**" means AGORA Internet Relations Corp.

"**AIF Date**" has the meaning ascribed thereto under "*Annual Information Form*".

"**Amalgamation**" has the meaning set out in "*General Development of the Business*".

"**Annual Information Form**" means this annual information form of Delota for the financial year ended January 31, 2022, dated January 31, 2023.

"**Applicable Securities Laws**" means, as applicable, the securities legislation, securities regulation and securities rules, and the policies, notices, instruments and blanket orders of each Canadian securities regulator having the force of applicable Law and in force from time to time.

"**Audit Committee**" means the audit committee of the Board, as constituted from time to time.

"**Audit Committee Charter**" has the meaning set forth in the has the meaning set out in "*Audit Committee – Audit Committee Charter".*

"**Authorizations**" means, collectively, all consents, licences, registrations, permits, authorizations, permissions, orders, approvals, clearances, waivers, certificates, and declarations issued, granted, given or otherwise made available by or under the authority of any Government Entity or pursuant to any requirement under applicable Law.

"**Awards**" has the meaning set out in "*Description of Capital Structure – Summary of the Omnibus Plan*".

"**Bill 36**" has the meaning set forth in the has the meaning set out in "*Regulatory Overview – Provincial Framework*".

"**Board**" means the board of directors of Delota, as constituted from time to time.

"**Board of Health**" means the board of health established under the *Ontario Health Protection and Promotion Act* in a municipal jurisdiction.

"**Business**" means the business carried on by Delota and its Subsidiaries as at the AIF Date, and where the context so requires, includes the business carried on by Delota and its Subsidiaries prior to the AIF Date.

"**Cannabis**" or "**cannabis**" means the plant Cannabis sativa L.

"**Cannabis Act**" means the *Cannabis Act* (Canada), including any regulations promulgated thereunder, as amended.

"**Cannabis Laws**" means, all applicable provincial, municipal, and/or federal legislation and regulations governing cannabis, cannabis paraphernalia, cannabis products, cannabis accessories, cannabis extracts, and activities related thereto in Canada in which the Company operates the Business, together with any successor legislation and regulations thereto, and for greater certainty, includes the Cannabis Act and the Cannabis Regulations.

"**Cannabis Licence Act**" has the meaning set out in "*Regulatory Overview – Provincial Framework*".

"**Cannabis Regulations**" means the *Cannabis Regulations* (Canada), including any regulations promulgated thereunder, as amended.

"**CBCA**" means the *Canada Business Corporations Act*, including any regulations promulgated thereunder, as amended.

"**CDSA**" has the meaning set out in "*Regulatory Overview – Federal Framework*".

"**CEO**" means the chief executive officer of Delota.

"**CFO**" means the chief financial officer of Delota.

"**Committee**" has the meaning set out in "*Description of Capital Structure – Summary of the Omnibus Plan*".

"**Common Shares**" means the common shares in the capital of Delota.

"**Company**" has the meaning ascribed thereto under "*Annual Information Form*".

"**Consolidation**" means the 5:1 consolidation of the Common Shares which occurred on September 17, 2021.

"**Continuance**" means the Company's continuance out of the jurisdiction of the ABCA and into the jurisdiction of the OBCA.

"**COO**" means the chief operating officer of Delota.

"**Corporate Secretary**" means the corporate secretary of Delota.

"**COVID-19**" means the Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

"**CPC**" means a corporation: (a) in regard to which the completion of the Qualifying Transaction has not yet occurred, (b) that has been incorporated or organized in a jurisdiction in Canada, (c) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with Policy 2.4 of the TSXV Corporate Finance Manual entitled "*Capital Pool Companies*".

"**CRA**" means the Canadian Revenue Agency.

"**CSE**" means the Canadian Securities Exchange operated by CNSX Markets Inc.

"**Director**" means a director of Delota Corp.

"**Delisting and Relisting**" has the meaning ascribed thereto under "*General Development of the Business – Developments during the Financial Year ended January 31, 2022".*

"**Delota**" means Delota Corp., a corporation incorporated under the ABCA, and where the context so requires, includes its predecessors.

"**Development Permit**" has the meaning ascribed thereto under "*Certain Documents Incorporated by Reference"*.

"**ERP**" means Enterprise Resource Planning.

"**Fiscal Year-End Date**" has the meaning ascribed thereto under "*Annual Information Form*".

"**Former Spyder Shares**" means common shares in the capital of Former Spyder Vapes.

"**Former Spyder Unit**" has the meaning ascribed thereto under "*General Development of the Business – Developments during the Financial Year ended January 31, 2020*".

"Former Spyder Warrant" has the meaning ascribed thereto under "*General Development of the Business – Developments during the Financial Year ended January 31, 2020*".

"**Former Spyder Vapes**" means Spyder Vapes Inc., a privately held company incorporated under the CBCA on August 18, 2014.

"**forward-looking statements**" has the meaning ascribed thereto under "*Cautionary Statements*".

"**Governmental Entities**" means: (a) any international, multi-national, national, federal, provincial, territorial,, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, commissioner, minister, cabinet, governor in council, ministry, agency or instrumentality, domestic or foreign, including, for greater certainty, the AGCO and the AGLC, (b) any subdivision or authority of any of the foregoing, (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (d) any stock exchange, including, for greater certainty, the TSXV and CSE.

"**Green Spyder**" means The Green Spyder Inc.

"**HBGC**" means HighBreed Growth Corp.

"**HBGC Transaction**" has the meaning ascribed thereto under "*General Development of the Business – Developments during the Financial Year ended January 31, 2020*".

"**Key Personnel**" means Management as well as certain consultants working for the Company.

"**Labelling Regulations**" has the meaning set out in "*Description of the Business – Licences and Regulations*".

"**Laws**" means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended, unless expressly specified otherwise, and for greater certainty, includes Cannabis Laws.

"**LCBO**" has the meaning set out in "*Regulatory Overview – Provincial Framework*".

"**Licenced Producers**" means any person duly authorized by Health Canada pursuant to applicable Laws to engage in the cultivation, production, growth and/or distribution of cannabis.

“**Management**” means the management of the Company, as constituted from time to time.

“**Material Adverse Effect**” means a material adverse effect on the business, the properties, assets, liabilities (including contingent liabilities), results of operations, financial performance, financial condition, or the market and trading price of the securities, of the Company.

“**MOU**” means a memorandum of understanding.

“**Name Change**” means the name change completed by the Company on November 17, 2021 from “Spyder Cannabis Inc.” to “Delota Corp.” to reflect the Company’s repositioning of its Business.

“**Non-Exhaustive List of Risk Factors**” has the meaning ascribed thereto under “*Risk Factors*”.

“**OBCA**” means the *Business Corporations Act* (Ontario), including any regulations promulgated thereunder, as amended.

“**OCS**” means the Ontario Cannabis Store.

“**Offside Cannabis**” refers to the new and successor brand name for “*SPDR Cannabis*”.

“**Omnibus Plan**” has the meaning set out in “*Description of Capital Structure – Summary of the Omnibus Plan*”.

“**Ontario Act**” has the meaning set out in “*Regulatory Overview – Provincial Framework*”.

“**Ontario Cannabis Regulations**” has the meaning set out in “*Regulatory Overview – Provincial Framework*”.

“**Options**” has the meaning set out in “*Description of Capital Structure – Summary of the Omnibus Plan*”.

“**Person**” includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative or government (including any Governmental Entity), syndicate or other entity, whether or not having legal status.

“**Promotion Regulations**” has the meaning set out in “*Description of the Business – Licences and Regulations*”.

“**Qualifying Transaction**” has the meaning ascribed thereto under *“General Development of the Business”*.

“**Retail Manager Licence**” has the meaning set out in “*Regulatory Overview – Provincial Framework*”.

“**Retail Store Authorizations**” or “**RSA**” means, collectively, the Authorizations required in order to engage in the retail sale and distribution of adult-use cannabis and cannabis products at licenced premises.

“**Retail Store Operator Licence**” or “**ROL**” has the meaning set out in “*Provincial Framework*”.

“**Retail Cannabis Store Licence**” means a licence issued by the AGLC allowing the holder to sell cannabis products.

“**RSU**” means a restricted share unit.

“**RTO**” has the meaning set out in “*General Development of the Business*”.

“**SEDI**” means the System for Electronic Disclosure by Insiders.

“**SFOA**” has the meaning set out in “*Description of the Business – Licences and Regulations*”.

“**SPDR Cannabis**” refers to the former brand name of the Company’s primary retail cannabis business.

“**Spyder Cannabis Subco**” means Spyder Cannabis Subco Inc.

“**Subsidiary**” means a Person that is controlled directly or indirectly by another Person and includes a subsidiary of that subsidiary.

"**TSXV**" means the TSX Venture Exchange.

"**TVPA**" has the meaning set out in "*Description of the Business – Licences and Regulations*".

"**Vape Mall**" has the meaning has the meaning ascribed thereto under "*Description of the Business – Wholesale".*

"**Vaping Product Licence**" means a vaping product licence issued by the CRA.

"**Warrants**" means the Common Share purchase warrants of Delota.

CORPORATE STRUCTURE

Name, Address and Incorporation

Delota was incorporated under the ABCA on February 20, 2014 under the name "Anchor Capital Corporation". On May 13, 2014, the Company amended its articles of incorporation to remove its private company provisions and the restrictions on share transfers. On May 31, 2019, following the completion of the Qualifying Transaction (as defined herein), the Company amended its articles of incorporation to change its name from "Anchor Capital Corporation" to "Spyder Cannabis Inc." On September 17, 2021, the Company completed the Consolidation. On November 17, 2021, the Company completed the Name Change by changing its name to "Delota Corp."

The registered and head office of the Company is located at 7941 Jane Street, Unit 2, Concord, Ontario, L4K 2M7.

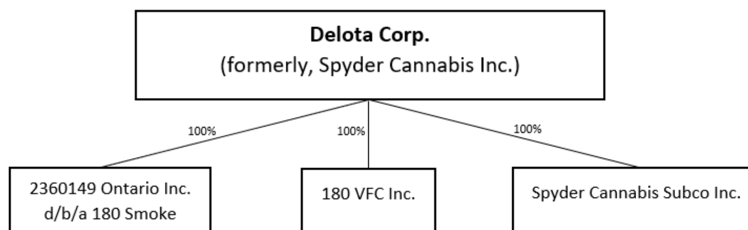
Delota is a reporting issuer in the provinces of Ontario, Alberta and British Columbia. The Common Shares are currently listed on the TSXV under the trading symbol "LOTA"; however, the Company intends to delist the Common Shares from the TSXV and list on the CSE.

Intercorporate Relationships

As at the AIF Date, the Company has 14 wholly-owned Subsidiaries. Delota materially operates the Business through the following Subsidiaries:

- Spyder Cannabis Subco, a wholly-owned Subsidiary of Delota formed under the CBCA on May 31, 2019.
- 180 Smoke, a wholly-owned Subsidiary of Delota formed under the OBCA on February 4, 2013.
- 180 VFC, a wholly-owned Subsidiary of Delota formed under the CBCA on January 6, 2017.

The following chart sets out the material intercorporate relationships of Delota, as at the AIF Date:



GENERAL DEVELOPMENT OF THE BUSINESS

The Company was incorporated on February 20, 2014, under the name "Anchor Capital Corporation" and operated as a CPC from December 2, 2014 to May 31, 2019 for the purposes of identifying and evaluating business opportunities to complete a qualifying transaction.

On May 13, 2014, the Company amended its articles of incorporation to remove its private company provisions and the restrictions on share transfers.

On December 2, 2014, the Common Shares were listed for trading on the TSXV under the symbol "ANC.P". On October 5, 2017, the Common Shares were transferred to the NEX Board of the TSXV and began trading under the symbol "ANC.H". On May 31, 2019, the Company completed its Qualifying Transaction and acquired all of the issued and outstanding Former Spyder Shares (the "**Qualifying Transaction**") through a reverse takeover transaction (the "**RTO**"), which was effected pursuant to an amalgamation agreement between the Company and Former Spyder Vapes. As part of the RTO, Acquisition Co was formed as a wholly-owned Subsidiary of the Company solely for the purpose of facilitating the three-cornered amalgamation (the "**Amalgamation**") in connection with the RTO. Pursuant to the Amalgamation, the Company purchased all of the issued and outstanding Former Spyder Shares on the basis of one Common Share for each Former Spyder Share immediately prior to the Amalgamation. In addition, the Company, as the resulting issuer, changed its name from "Anchor Capital Corporation" to "Spyder Cannabis Inc." On November 17, 2021 the Company changed its name to "Delota Corp." to reflect the Company's repositioning of its Business to a vape and cannabis retailer. In connection with the Name Change, the Company began trading on the TSXV under its new name and ticker symbol "LOTA" on November 22, 2021.

Delota currently operates as an established vape and cannabis retailer that curates and sells vape and nicotine-related products, other smoking cessation products, cannabis products, and accessories where regulations permit. The Company currently operates 28 brick-and-mortar specialty vape stores in Ontario under the 180 Smoke Vape Store banner name, a leading Canada-wide specialty vape e-commerce platform (www.180smoke.ca), and five (5) AGCO-licenced dispensaries under the Offside Cannabis banner name in Ontario.

Three Year History

The following is a description of the general development of the Business during the last three financial years:

Developments during the Financial Year ended January 31, 2020

On May 31, 2019, Former Spyder Vapes completed a non-brokered financing of secured convertible debentures (the "**2019 Debenture Financing**") concurrently with the completion of the Qualifying Transaction, raising gross proceeds of $274,500 through the sale of secured convertible debentures, convertible into an aggregate of 1,830,000 units of Former Spyder Vapes (each a "**Former Spyder Unit**") at a price of $0.15 per Former Spyder Unit. Each Former Spyder Unit consisted of one Former Spyder Share and one-half of one Former Spyder Warrant, with each whole Former Spyder Warrant entitling the holder thereof to purchase one Former Spyder Share at an exercise price of $0.30 per Former Spyder Share for a period of 24 months from the date of issuance. All such convertible debentures, together with accrued but unpaid interest thereon, were converted into Former Spyder Shares and Former Spyder Warrants immediately prior to the closing of the Amalgamation. Subsequent to the completion of the Amalgamation, all Former Spyder Shares underlying the secured convertible debentures were converted into Common Shares and all Former Spyder Warrants underlying the secured convertible debentures were adjusted to entitle the holders thereof to acquire an equivalent number of Common Shares.

On May 31, 2019, Delota completed its Qualifying Transaction and acquired all of the issued and outstanding Former Spyder Shares pursuant to the RTO.

On June 11, 2019, the Common Shares began trading on the TSXV under the symbol "SPDR".

On June 20, 2019, the Company announced its intention to enter the United States hemp-derived cannabis market through the rollout of boutique retail stores and kiosks. The retail locations were to sell CBD products and other hemp-derived infused products to target the health and wellness consumers.

On June 26, 2019, the Company announced it had entered into an exclusive distribution agreement with Tetra Natural Health Inc., a Subsidiary of Tetra Bio-Pharma Inc., to distribute three flavours of their 'Hemp Energy Drink'.

On July 18, 2019, the Company signed an agreement for the supply of full spectrum hemp-derived cannabis products including tinctures, soft gel capsules, balms and pet products.

On July 22, 2019, the Company received approval of its Development Permit in Calgary, Alberta which was intended to operate as both a retail location and a central distribution hub for its product offerings.

On August 29, 2019, the Company announced it had entered into a purchase agreement with an arm's length party to acquire an interest in a Development Permit and an attached lease. The consideration was paid by an issuance of 600,000 Common Shares amounting to $175,000. The transaction was completed on November 12, 2019.

On September 12, 2019, the Company signed an MOU with HBGC that outlined the general terms and conditions pursuant to which HBGC and the Company would be willing to complete a transaction that would result in a reverse take-over of the Company by HBGC (the "**HBGC Transaction**"). The MOU was to be superseded by a definitive merger, amalgamation or share exchange agreement that was expected to be signed at such later date as may have been mutually agreed upon by the parties in writing. On December 20, 2019, the Company announced that the MOU had expired and that the HBGC Transaction would not be taking place.

On January 10, 2020, the Company announced pursuant to its agreement with AGORA, it issued 38,769 Common Shares at a deemed price of $0.325 per share in consideration for the provision of $12,600 in services provided by AGORA.

On January 13, 2020, the Company announced that it intended to complete a non-brokered private placement of senior secured convertible debentures in the aggregate principal amount of up to $1,500,000, (the "**2020 Debenture Financing**"). The 2020 Debenture Financing was cancelled by the Company's announcement on February 3, 2020, as the Company secured bridge loans in the amount of $442,000 provided primarily by Management and insiders in the Company. The term matures on July 25, 2020, bears interest at 12% per annum payable monthly in arrears and the Company may repay all or in part at any time during prior to maturity.

Developments during the Financial Year ended January 31, 2021

On May 12, 2020, the Company announced that its wholly-owned Subsidiary, Spyder Cannabis Subco, received its cannabis Retail Store Operator Licence from the AGCO.

On June 28, 2020, the Company announced that Spyder Cannabis Subco received a Retail Store Authorization from the AGCO for its cannabis dispensary located at 6474 Lundy's Lane, Niagara Falls, Ontario. The dispensary opened for business on August 8, 2020 and currently operates under the Offside Cannabis brand.

On July 29, 2020, the Company announced that its wholly-owned Subsidiary, Green Spyder, received a Retail Cannabis Store Licence from the AGLC for its cannabis dispensary located at 104-58th Avenue SE, Calgary, Alberta. The dispensary opened for business on September 26, 2020 and was subsequently closed due to COVID-19. Effective August 31, 2021, Green Spyder surrendered the premise to focus its operations in Ontario.

On August 24, 2020, the Company completed a debt settlement transaction, pursuant to which it issued, to certain creditors of the Company, an aggregate of 774,400 Common Shares at a price of $0.25 per Common Share in settlement of an aggregate of $193,600 in indebtedness of the Company.

As at October 31, 2020, the Company ceased all operations in the United States, and cancelled its plans to enter the hemp-derived cannabis market through the rollout of boutique retail stores and kiosks. The Company has instead opted to focus on building out its Canadian retail business.

Developments during the Financial Year ended January 31, 2022

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, at a deemed price of $0.15 per Common Share, in settlement of an aggregate of $299,000 in indebtedness of the Company. Certain directors of the Company

participated in the debt settlement and acquired an aggregate of 1,586,666 Common Shares in settlement of an aggregate of approximately $237,997 in indebtedness of the Company.

On March 30, 2021, the Company acquired all of the issued and outstanding common shares of the entities that collectively comprise the business of 180 Smoke (the "**180 Smoke Acquisition**"), 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 180 Smoke Acquisition was completed with an arm's length party on a cash-free basis (after post-closing adjustments), for a nominal consideration of $1. The Company filed the required Form 51-102F4 – *Business Acquisition Report* on June 15, 2021.

On April 1, 2021, the Company completed a non-brokered private placement offering (the "**2021 Offering**") through the issuance of 2,962,956 units ("**2021 Units**") of the Company, at a price of $0.3375 per 2021 Unit, for total gross proceeds of approximately $1,000,000. Each 2021 Unit consisted of one Common Share and one Warrant. Each Warrant entitles the holder thereof to purchase one Common Share 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 Common Shares on the TSXV is at least $1.00 for a minimum of 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants accelerating the expiry date such Warrants to be 30 days following the date of issuance of such written notice. A director of the Company participated in the 2021 Offering and received 30,000 2021 Units for an aggregate subscription of $10,125. In connection with the 2021 Offering, the Company paid finder's fees in the amount of $16,650 to Canaccord Genuity Corp. and $4,050 to PI Financial Corp. No securities were issued as compensation in connection with the Offering.

On May 7, 2021, the Board appointed Cameron Wickham as Director, CEO and Corporate Secretary and Ankit Gosain as CFO. Daniel Pelchovitz, former CEO, continued with Delota as a Director and as chief executive officer of Delota's cannabis division. Mark Pelchovitz, former CFO and Corporate Secretary, continued as a Director. The Board also appointed Mark Pelchovitz as executive chair of the Board and Cameron Wickham as executive vice chair of the Board.

On May 21, 2021, Delota appointed of Christina Pan as COO.

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

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

On July 12, 2021, the Company held the 2021 Meeting. At the 2021 Meeting, shareholders voted in favour of all matters submitted before the Meeting as set out in the 2021 Information Circular, which included:

a) appointing Stern & Lovrics LLP, Chartered Professional Accounts, as auditor of the Company for the ensuing year and authorizing the Board to fix their remuneration;

b) electing Mark Pelchovitz, Cameron Wickham, Steven Glaser, Daniel Pelchovitz and Marc Askenasi to serve as Directors and to hold office until the next annual meeting of shareholders or until their successors are elected or appointed;

c) approving the Omnibus Plan;

d) authorizing the Company to delist its Common Shares from the TSXV and subsequently list them on the CSE or another stock exchange (the "**Delisting and Relisting**");

e) authorizing the amendment to the Company's articles of incorporation to change the name of the Company to such name as determined by the Board in their sole discretion;

f) authorizing the amendment to the Company's articles of incorporation to consolidate all of the Common Shares on the basis of a consolidation ratio of up to five (5) pre-consolidated Common Shares for one post-consolidated Common Share, with the exact ratio to be determined by the Board in their sole discretion; and

g) authorizing the Company to effect a continuance from the ABCA to the OBCA and adopt a new general by-law.

Notwithstanding the approval of the Delisting and Relisting, Name Change, Consolidation and Continuance, the Board may, in its sole discretion, chose to not go ahead, change the timing of and/or abandon any of the foregoing matters without further approval of or action by or prior notice to shareholders of the Company.

On August 31, 2021, Green Spyder surrendered the premise located at 104-58th Avenue SE, Calgary, Alberta and the associated Retail Cannabis Store Licence from the AGLC to focus its operations in Ontario. With the closing of this location, the Company ceased its cannabis operations in the Province of Alberta.

On September 17, 2021, the Company completed the Consolidation.

On September 27, 2021, the Company announced that Spyder Cannabis Subco received a Retail Store Authorization from the AGCO for its cannabis dispensary located at 767 Taunton Road, Oshawa, Ontario. This location continues to operate as a 180 Smoke Vape Store.

On October 14, 2021, the Company announced the launch of its new retail dispensary brand, Offside Cannabis, dedicated to providing cannabis consumers with affordable prices and high-quality customer service. The brand will carry a tailored cannabis product assortment that will be appealing and relevant to the value-conscious demographic.

On November 3, 2021, the Company announced that Spyder Cannabis Subco received a Retail Store Authorization from the AGCO for its cannabis dispensary located at 5719 Victoria Avenue, Niagara Falls, Ontario.

On November 17, 2021, the Company changed its name from "Spyder Cannabis Inc." to "Delota Corp." In connection with the Name Change, the Company began trading on the TSX-V under its new name and ticker symbol "LOTA" on November 22, 2021.

Developments during the Financial Year ending on January 31, 2023

On February 4, 2022, the Company opened the cannabis dispensary located at 5719 Victoria Avenue, Niagara Falls, Ontario dispensary opened for business and currently operates under the Offside Cannabis brand.

On March 30, 2022, the Company acquired all of the issued and outstanding common shares of 276 Ontario from the shareholders of 276 Ontario for an aggregate purchase price of $3,000,000.25, which the Company satisfied through the issuance of an aggregate of 12,000,001 Common Shares, at a price of $0.25 per Common Share. 276 Ontario held a promissory note in the amount of $11,129,172 owing from 180 Smoke.

On May 19, 2022, Spyder Cannabis Subco received a Retail Store Authorization from the AGCO for its cannabis dispensary located at 1033 King Street West, Hamilton, Ontario. The dispensary opened for business on June 3, 2022 and currently operates under the Offside Cannabis Brand.

On May 26, 2022, the Company opened a 180 Smoke Vape Store located at 41 William Street, Unit B, Ottawa, Ontario.

On July 28, 2022, the Company opened a 180 Smoke Vape Store located at 429 Spadina Avenue, Floor 2, Toronto, Ontario.

On July 29, 2022, the Company announced that an outstanding secured loan, in the principal amount of $200,000, between the Company and an independent third party has been assigned to a corporation controlled by the CEO.

On September 26, 2022, the Company opened a 180 Smoke Vape Store located at 209860 Highway 26, Blue Mountains, Ontario.

On October 17, 2022, 180 Smoke received a Vaping Product Licence from the CRA, allowing the Company to continue to manufacture its owned and co-branded vaping products in Canada.

On November 4, 2022, Spyder Cannabis Subco received a Retail Store Authorization from the AGCO for its cannabis dispensary located at 693 Queen Street, Port Perry, Ontario. The dispensary opened for business on November 18, 2022 and currently operates under the Offside Cannabis brand.

Subsequent to the AIF Date, the Company intends to identify and pursue opportunities to increase its retail footprint.

DESCRIPTION OF THE BUSINESS

General

The Company is an established vape and cannabis retailer that curates and sells vape and nicotine-related products, other smoking cessation products, cannabis products, and accessories where regulations permit. The Company currently operates 28 brick-and-mortar specialty vape stores in Ontario under the 180 Smoke Vape Store banner name, a leading Canada-wide specialty vape e-commerce platform (www.180smoke.ca), and five (5) AGCO-licenced dispensaries under the Offside Cannabis banner name in Ontario.

The Company's business strategy is to build the most popular and trusted vape and cannabis brands in Canada by aggressively growing its retail footprint and developing store banners that resonate with a loyal and growing customer base. The Company aims to cater to local consumer demographics while delivering unique retail experiences to capitalize on the evolving vape and cannabis retail sectors.

In 2021, the Company acquired 180 Smoke, Ontario's largest specialty vape chain that currently operates 28 retail locations across the province and a leading Canada-wide e-commerce presence (www.180smoke.ca). 180 Smoke has over 322,000 customer accounts across its brick-and-mortar and e-commerce channels. 180 Smoke was the first Canadian retail chain securing "store within a store" partnerships with Big Tobacco.

The Company through its wholly owned Subsidiary, Spyder Cannabis Subco, operates the Offside Cannabis retail chain in accordance with Cannabis Laws. The Company sells cannabis products through its retail locations, located in the province of Ontario. As at the AIF Date, Spyder Cannabis Subco holds a Retail Store Operator Licence and five (5) Retail Store Authorization*s* issued by the AGCO to operate its five (5) Offside Cannabis dispensaries in Ontario.

The Company is focused on building its retail brands by leveraging the Company's know-how, infrastructure, processes and workforce to quickly scale its operations and retail footprint. The Company aims to attract, grow and retain a loyal customer base by creating unique retail experiences, optimized product assortments and best-in-class customer service.

The Company recognizes the revenues from the sale of vape and cannabis products as 'retail revenues' pursuant to IFRS 8.12. For the years ended January 31, 2022 and 2021, retail revenues represent 100% of the Company's total revenue. For ease of review, the issuer has described its business as if the vape and cannabis operations were separate operating segments notwithstanding that under its financial statements the segments are grouped as one operating segment.

Retail Vape Division

Guided by the purpose of "delivering a smoke-free future", the Company is committed to provide adult smokers with "harm-reduction" alternatives to combustible tobacco. The business of the Company's retail vape division focuses on supplying customers with a variety of differentiated and innovative nicotine vape products and accessories and providing a convenient omni-channel shopping experience.

180 Smoke Vape Store

180 Smoke is one of Canada's most recognizable speciality vape retailers. The Company's retail vape division serves customers through corporate-owned and franchised 180 Smoke Vape Stores and its branded e-commerce website (www.180smoke.ca). 180 Smoke also owns several consumer vape product brands, which it manufactures in-house. It also distributes its products on a wholesale basis through its Vape Mall wholesale business.

As at the AIF Date, the 20 corporate-owned 180 Smoke Vape Stores in Ontario are located as follows:

Municipality	Number of Locations
Toronto	10
Hamilton	3
Vaughan	2
Ottawa	1
Oshawa	1
Brampton	1
Mississauga	1
Blue Mountains	1

Franchise Stores

Currently, there are eight (8) franchised 180 Smoke Vape Stores that are operated by the Company's franchise partners. Each franchise partner owns the fixtures, equipment and inventory of the store they operate, employs the store staff and is responsible for the store's operating expenses. 180 Smoke's relationship with each franchise partner is governed by a franchise agreement which provides franchise partners access to, but are not limited to, the 180 Smoke brand name and recognition, category business management, operating procedures, online and offline marketing to legal age consumers, and distinctive information technology services. Each franchise partner agrees to comply with the policies, marketing plans and operating standards prescribed by 180 Smoke, which among other things, include purchasing merchandise primary from 180 Smoke, meeting store design standards, meeting operational standards, and offering merchandise to sell to consumers at prices not exceeding those set by 180 Smoke.

As of the AIF Date, the eight (8) franchised 180 Smoke Vape Stores in Ontario are located as follows:

Municipality	Number of Locations
Toronto	5
Richmond Hill	2
Oshawa	1

E-Commerce Platform

180 Smoke offers online shopping through its e-commerce website (www.180smoke.ca) and provides deliver-to-home order fulfillment through third party delivery partners. As at the end of 2022, the e-commerce platform for 180 Smoke receives an average of 120,000 sessions per month. 180 Smoke has over 322,000 customer accounts across its brick-and-mortar and e-commerce channels.

Wholesale

Vape Mall operates as 180 Smoke's wholesale channel to sell exclusive, semi-exclusive, and non-exclusive products to various vape businesses in Canada, including certain 180 Smoke competitors and smaller independent stores. 180

Smoke leverages its main warehouse inventory to conduct this business segment. Vape Mall is a distributor of brands including “STLTH”, “SnowPlus”, “RELX”, “SMOK”, “Pachamama” and “Charlie’s Chalk Dust”, among others.

Spyder Vapes

Spyder Vapes was a Greater Toronto Area centric specialty vape retailer with two (2) corporate locations and an e-commerce platform. As at the AIF Date, there are no operating Spyder Vapes-branded stores and the former brand has been integrated into 180 Smoke.

Owned Brands & Co-Packed Brands

Over the years, 180 Smoke has developed a strong portfolio of nicotine e-liquid brands in Canada, which are primarily sold at 180 Smoke’s vape stores, other specialty vape retailers, and independent retailers. Some of the Company’s most recognized brands include “Ace”, “Jinx”, “Brite”, and “Explore”. Owned brands provide the Company with a competitive advantage and a core differentiator in its product assortment, which increases customer engagement and loyalty. Additionally, owned brands improve 180 Smoke’s gross margins. These products are manufactured in-house.

180 Smoke operates an ISO 7 standard manufacturing facility at its head office in Concord, Ontario. The manufacturing facility produces over 203 SKU’s, including 70 co-packed SKU’s. As at the end of 2022, the Company has a manufacturing capacity of approximately 350,000 e-liquid bottles a year, which can be scaled up to 1 million e-liquid bottles a year.

In order to make improvements to its manufacturing process, and to adhere to regulatory requirements, the Company has implemented an Enterprise Resource Planning (“**ERP**”) system for manufacturing, quality control, reporting, and assurance, replacing manual labour-intensive processes. Samples from each batch are retained for quality control testing, batch tracking and recall purposes, if needed.

The Company is continuously focused on strengthening its owned brand portfolio through internal product development as well as selectively pursuing partnerships to complement key categories. The Company’s in-house mixologists and quality assurance associates are continually developing new e-liquid flavours to cater to emerging vaping trends and changing regulations.

On October 17, 2022, 180 Smoke successfully received its Vaping Product Licence from the CRA, allowing the Company to continue to manufacture its owned and co-branded vaping products from its Concord, Ontario manufacturing facility.

Product and Sales

180 Smoke sources merchandise and raw ingredients globally, however, a majority of finished goods sold across 180 Smoke’s retail vape division are purchased from distributors and vendors based in Canada. The Company has established strategic partnerships with big tobacco and key Canadian distributors. 180 Smoke leverages internal resources and third-party quality assurance providers to proactively manage product quality.

The Company’s supply chain function is responsible for managing the flow of products between suppliers, its main warehouse, and retail stores operating across Ontario. It is also responsible for online order fulfillment, which is performed out of the main warehouse that is supported by Company’s ERP system and third-party logistics providers.

Licences and Regulations

In Canada, the distribution and sale of vaping products and electronic cigarettes is regulated by federal, provincial, and municipal vaping regulations. For more details, see the heading “*Regulatory Overview – Vape Regulatory Overview*”.

Competition

The vape retail industry in Canada is highly fragmented, regulated and very competitive in terms of price, quality, service, and selection, as well as online presence, store location and environment. The Company's retail vape division competes against online-only retailers, speciality vape retailers, national brands which sells directly to consumers, and convenience and gas stores. While 180 Smoke carries a number of national brands in its assortment, an increasing number of these brands are expanding their direct-to-consumer sales channels. The Company is continually developing, and on-boarding new and innovative products and using data to enhance customer experience and to build customer loyalty.

Components

The Company produces an estimated 150,000 bottles of nicotine e-liquids annually. Raw materials, including propylene glycol, vegetable glycerine, nicotine, flavour concentrate, e-liquid bottles and caps, labeling materials, and others, are procured from various Canadian and international suppliers. The Company incurs an average expenditure of $420,000 per year on raw materials.

Cycles

The Company's retail vape Business is not seasonal or cyclical. The Business from time to time may be affected by supply constraints, disruptions and seasonal variations that impact the supply of vape products. The impact of supply constraints, disruptions, and seasonal variations on the Business and its operating results cannot be predicted at this time.

Intangible Properties

The Company's retail brands, in particular 180 Smoke Vape Store are an essential part of the Company's operations. Trademarks and other intellectual property rights are an important part to maintain the success and the position of the Company.

The Company has trademarked "180 Smoke" which continues to be a valuable asset that distinguishes the Company's brand and reinforces consumer's positive perception of its products and stores. The Company protects its trademark by actively monitoring for infringements. The Company registered the "180 Smoke" trademark on July 28, 2016 for a duration of fifteen years, which will expire on July 28, 2031.

Specialized Skills & Knowledge

Aspects of the Company's retail vape division requires specialized skills and knowledge, including the retail sale of vape products within the various jurisdictions in Canada, in accordance with applicable Laws. The Management team is comprised of individuals with expertise in vape, retail and strong capital markets experience. The Management team along with its employees have the required knowledge and expertise to position the Company's retail-focused Business strategy.

Employees

As at the AIF Date, the Company's retail vape division has approximately 123 full-time and part-time employees based in Canada.

As of the most recent financial year end of January 31, 2022, the Company's retail vape division has approximately 105 full-time and part-time employees based in Canada.

<u>Retail Cannabis Division</u>

The Company through its wholly owned Subsidiary, Spyder Cannabis Subco, operates the Company's retail cannabis division under the Offside Cannabis retail brand in accordance with Cannabis Laws. The Company sells cannabis

products through its retail locations, located in the province of Ontario. The Company's goal is to become a premier regulated cannabis retailer. As at the AIF Date, Spyder Cannabis Subco holds a Retail Store Operator Licence and five (5) Retail Store Authorization*s* issued by the AGCO to operate its five (5) Offside Cannabis dispensaries in Ontario.

Offside Cannabis

Offside Cannabis is a value-centered dispensary brand providing retail and online services. Offside Cannabis believes in boutique products and services at big box bud prices.

As at the AIF Date, the five (5) Offside Cannabis dispensaries in Ontario are located as follows:

Municipality	Number of Locations
Niagara Falls	2
Hamilton	1
Pickering	1
Port Perry	1

Ontario

In Ontario, the Company through its wholly owned Subsidiary, Spyder Cannabis Subco currently holds one (1) Retail Store Operator Licence and five (5) Retail Store Authorization*s* issued by the AGCO to operate its five (5) Offside Cannabis dispensaries in Ontario.

In 2020, Spyder Cannabis Subco, received its cannabis *ROL* and *RSA* from the AGCO and opened its first dispensary in Niagara Falls, Ontario under the SPDR Cannabis brand. In 2021, Spyder Cannabis Subco received an additional *RSA* from the AGCO and opened its second Ontario dispensary in Pickering under the SPDR Cannabis brand. Later in 2021, Spyder Cannabis Subco received an additional *RSA* from the AGCO and opened its third dispensary in Ontario in Niagara Falls under its new retail dispensary brand, Offside Cannabis. The Company also rebranded its two remaining SPDR Cannabis dispensaries to the new Offside Cannabis banner name. In 2022, Spyder Cannabis Subco received two additional *RSA*s from the AGCO and opened two additional dispensaries in Hamilton and Port Perry, Ontario under the Offside Cannabis brand.

Alberta

In 2020, the Company's Subsidiary, Green Spyder, received its Retail Cannabis Store Licence from the AGLC and opened a dispensary in Calgary, Alberta under the SPDR Cannabis brand. On August 31, 2021, Green Spyder voluntarily surrendered its premise in Calgary and the associated Retail Store Operator Licence from the AGLC to cease its cannabis operations in Alberta to focus on its operations in Ontario.

Product and Sales

The retail sale of cannabis and cannabis products is only permitted by approved store operators at licenced premises in accordance with applicable federal, provincial and municipal laws. The Company is authorized to purchase, store and sell cannabis, and cannabis accessories in accordance with the terms and conditions of its cannabis retail store licences.

Licences and Regulations

In Canada, the retail sale of cannabis and cannabis products is only permitted by approved store operators at licenced premises in accordance with applicable federal, provincial and municipal laws. For more details, see the heading "*Regulatory Overview – Cannabis Regulatory Overview*".

Competition

The Company faces competition from existing retailers, wholesalers and producers of cannabis for adult use. The Company expects some competitors may have greater financial resources, manufacturing capabilities, marketing expertise and access to the market. Market trends demonstrate consolidation in the retail cannabis industry, resulting in emerging "Multi-Jurisdictional Operators".

To remain competitive, the Company will continue to invest in marketing and sales. The Company believes their competitive advantage comes from its experienced Management team with a proven track record in retail as well as leveraging 180 Smoke's retail know-how, infrastructure, processes and supply chain support.

The Company expects a majority of its competition will be from multi-jurisdictional operators, which may have greater resources or a past history of operations. The Company believes that its competition can be grouped into four different categories: (i) existing retailers; (ii) government wholesalers; (iii) multi-jurisdictional operators; and (iv) the illicit market.

1. *Existing Retailers:* This class of competitors includes early-stage and semi-developed retail cannabis, as well as established retail cannabis businesses, which may be well capitalized, and which may also have an established and longer retail operating history in Canada. These competitors are able to compete directly with the Company in the cannabis market across Ontario.

2. *Government Competition:* The Company faces competition from government wholesalers that directly sell to consumers online such as the OCS.

3. *Multi-Jurisdictional Operators:* Multi-jurisdictional operators are companies that operate a retail footprint across various municipalities and regions. The competition may have relationships with entity's that obtain an established retail operating history in Canada and may be well capitalized with significant scale.

4. *Illicit Market:* The Company faces competition through businesses and person(s) operating in the illicit market in Ontario. These competitors continue to divert a number of commercial opportunities from the Company, as they are able to compete directly in the cannabis markets across Canada.

To remain competitive, the Company will continue to invest in research and development, marketing, and sales. The Company believes their competitive advantage comes from the experienced Management team, with a proven track record.

Cycles

The Company's retail cannabis Business is not seasonal or cyclical. The Business from time to time may be affected by supply constraints, disruptions and seasonal variations that impact the supply of cannabis products. The impact of supply constraints, disruptions, and seasonal variations on the Business and its operating results cannot be predicted be predicted at this time.

Economic Dependence

The Company is limited to exclusively selling cannabis sourced from the OCS. Accordingly, the Company's sale of cannabis products is entirely dependent on the OCS. There is, however, no contract in place and the Company can purchase cannabis from the OCS at will.

Changes to Contracts

The Company is required to keep its ROL and RSA licenses current in order to acquire cannabis products from the OCS. The Company is limited to selling only cannabis sourced from the OCS. The RSAs must be renewed annually.

Intangible Properties

The Company's retail brands are an essential part of the Company's operations. Accordingly, the Company intends to seek protection of its intellectual property by obtaining registered protection agreements with parties that have access to the Company's inventions, trade secrets, technical know-how and proprietary information such as business partners, collaborators, employees and consultants to protect the confidentiality and ownership of intellectual property.

Specialized Skills & Knowledge

Aspects of the Company's retail cannabis division requires specialized skills and knowledge, including the retail sale of cannabis products within the various jurisdictions in Canada, in accordance with applicable Laws. The Management team is comprised of individuals with expertise in cannabis, retail and strong capital markets experience. The Management team along with its employees have the required knowledge and expertise to position the Company's retail-focused Business strategy.

Employees

As of the AIF Date, the Company's retail cannabis division has approximately 24 full-time and part-time employees based in Canada.

As of the most recent financial year end of January 31, 2022, the Company's retail cannabis division had approximately 19 full-time and part-time employees based in Canada.

As of the AIF Date, the Company and its Subsidiaries have approximately 147 full-time and part-time employees based in Canada.

As of the most recent financial year end of January 31, 2022 and its Subsidiaries had approximately 124 full-time and part-time employees.

Reorganizations

On May 31, 2019, Delota completed its Qualifying Transaction. For more details, see the heading "*General Development of the Business – Three Year History*".

REGULATORY OVERVIEW

<u>Vape Regulatory Overview</u>

In Canada, the distribution and sale of vaping products and electronic cigarettes is regulated by federal and provincial vaping regulations.

The scope of laws and regulations that apply to the Company's retail vape division include, but not limited to: the *Tobacco and Vaping Products Act*, the *Canada Consumer Product Safety Act*, the *Consumer Chemicals and Containers Regulations, 2001*; the *Food and Drugs Act*, and the *Smoke-Free Ontario Act, 2017*.

Furthermore, 180 Smoke is required to obtain and maintain specialty vape store registrations, tobacco retail dealer permits, and comply with various city bylaws with respect to vaping and tobacco sales including municipal business licences, as applicable.

Federal Framework

On May 23, 2018, the *Tobacco and Vaping Products Act* ("**TVPA**") was enacted to regulate the manufacture, sale, labelling and promotion of tobacco products and vaping products sold in Canada. The TVPA replaced the Tobacco Act, which was originally enacted in 1997. Its purpose with respect to tobacco products remains the same, protecting the health of Canadians, preventing access to tobacco by young persons, enhancing public awareness of the health hazards associated with using tobacco products, and a ban on the use of menthol cigarettes. The TVPA also creates a legal framework for the regulation of vaping products providing guidelines on the advertising and promotion of vaping products.

On November 19, 2018, additional restrictions under the TVPA came into force to further support its objectives which includes the regulation, sale and promotion of vaping products, and the appeal to youth including interesting shapes or sounds, the promotion of flavours, and product promotion by testimonials.

On April 11, 2019, Health Canada began seeking input on additional regulatory measures aimed at reducing youth use of vaping products, which included, among other proposals, prohibiting the manufacture and sale of vaping products with certain flavours or flavour ingredients and/or prohibiting the promotion of certain flavours, restricting the concentration and/or delivery of nicotine in vaping products, regulating design features, restricting online retail access, and restricting product packaging.

On June 21, 2019, Health Canada launched public consultations for the proposed *Vaping Products Labelling and Packaging Regulations* (the "**Labelling Regulations**"). On December 24, 2019, the final Labelling Regulations were published in the Canada Gazette, Part II, setting out requirements in two parts: first, labelling requirements pursuant to the TVPA, and second, labelling requirements, child-resistant container requirements, and a maximum nicotine concentration limit pursuant to the *Canada Consumer Product Safety Act*.

The Labelling Regulations came into force on July 1, 2020, and required, among other items, a list of ingredients on vaping substances, that products containing nicotine display a standardized nicotine concentration statement, a health warning, child-resistant containers, and toxicity information. Enforcement for new labelling requirements took place on January 1, 2021.

On December 19, 2019, following the consultations on the Labelling Regulations, Health Canada proposed the vaping products promotion regulations (the "**Promotion Regulations**"). Supporting its position with statistics, Health Canada claims vaping has doubled among high school students as one rationale for the newly proposed Promotion Regulations, which are designed to better protect youth with public education, and to reduce the appeal of vaping products overall.

On July 8, 2020, Health Canada published final Promotion Regulations and additional promotion restrictions came into force on August 8, 2020. The Promotion Regulations placed stricter limits on the advertising and promotion of vaping products and require health warnings on vaping products. The Promotion Regulations would prohibit the advertising of vaping products in public spaces, such as convenience stores, gas stations, billboards, or online, and would only be allowed in specialty shops, businesses, and online spaces accessible by adults.

On December 19, 2020, Health Canada released a regulatory proposal to establish a maximum nicotine concentration of 20 mg/mL for vaping products. Health Canada has identified the availability of high-nicotine concentration vaping products in the Canadian market since 2018 as one of the key factors contributing to the rapid rise in youth vaping. On June 23, 2021, Health Canada published final regulations capping maximum nicotine level at 20 mg/mL. The regulations also prohibit the packaging and sale of vaping products if the nicotine concentration of the products exceeds this limit. Manufacturers were required to adhere and comply to this limit by July 8, 2021, and retailers were restricted from selling products that exceed this limit after July 23, 2021.

On June 18, 2021, Health Canada announced new restrictions to prevent youth vaping. Health Canada cited research that shows flavour vaping products are highly appealing to youth. To address this, Health Canada is proposing regulatory changes to permitted flavours in vaping products in the Canada Gazette, Part I for comment. The proposal would restrict the flavour options in vaping products in Canada to tobacco and mint/menthol. As of the AIF Date there has been no update from Health Canada regarding the flavour restriction proposal.

On April 7, 2022, the federal government announced details pertaining to an excise tax and stamps for vaping products. In addition to raising revenues, federal government believe this could become an effective means to help curtail harmful consumption of vaping products, especially amongst young people. Starting October 1, 2022, federal vaping tax on vaping products is collected on consumable vaping products manufactured in and imported for sale in Canada. The tax would amount to $1 for every 2 mL (or fraction thereof) for containers with less than 10 mL of vaping liquid. For containers with more than 10 mL, the rate would be $5 for the first 10 mL and $1 for every additional 10 mL (or fraction thereof). On January 1, 2023, retailers may no longer sell un-stamped vaping products in Canada.

On June 18, 2022, Health Canada pre-published the proposed additional regulations which require vape products manufacturers disclose information regarding their sales and ingredients. This proposal marks Health Canada's first step towards vaping product reporting requirements, additional requirements are also being considered by the agency. Interested parties had 45 days to provide consultation on this proposal. Health Canada plans to publish the proposed changes in Canada Gazette in Spring 2023.

On October 1, 2022, the Government of Canada implemented an excise duty on vaping products. The excise duty applies to vaping substances that are manufactured in Canada or imported and that are intended for use in a vaping device in Canada. Manufacturers of vaping products are required to get a vaping product licence from the CRA. Importers are required to apply for a registration from the CRA. Manufacturers and importers are also required to register for the vaping stamping regime. All vaping products entering the Canadian duty-paid market are required to be packaged with an excise stamp affixed to the product. The excise stamps shows that duties have been paid.

Provincial Framework (Ontario)

Provincial and territorial governments in Canada have made varying announcements on the distribution, sale and use of vaping products. Given Ontario is 180 Smoke's largest market, accounting for approximately 92% of 180 Smoke's total revenue, this regulatory overview focuses on Ontario specific regulations, however, 180 Smoke actively monitors, adheres and respects regulations set by other provincial and territorial governments.

Ontario's *Smoke-Free Ontario Act, 2017* and *Ontario Regulation 268/18* (together, the "**SFOA**"), which came into force on October 17, 2018, is a single legislative framework that repealed and replaced the *Smoke-Free Ontario Act* and *Electronic Cigarettes Act, 2015*. The SFOA regulates the sale, supply, use, display, and promotion of both tobacco and vape products. Under the SFOA, the use of e-cigarettes is prohibited in enclosed public places and workplaces, including vape product retailers.

The current limitations for registered speciality vape stores are as follows:

- **Minimum Age:** Persons under 19 years of age are not permitted to enter the store, other than the owner, employee, or a support person accompanying an adult with a disability. If a customer appears to be under 25 years of age, a retailer must ask the customer for identification.
- **Testing and Demonstrations:** In the case of testing an e-cigarette device, customers are only permitted to hold the activated e-cigarette without inhaling or exhaling vapour from the device. This testing allows retail employees to identify potential product defects without inhaling or exhaling vapour from the product.
- **Sampling:** Only two customers may sample the vapour product in the store at the same time, which cannot contain tobacco, cannabis or a controlled substance. In addition, specialty vape stores must provide fresh, one-time use disposable mouthpieces for sampling, unless the e-cigarette is the personal possession of the person holding the device. Due to COVID-19, a majority of specialty vape stores in Ontario have voluntarily suspended the sampling of vape products.
- **Display and Promotion:** Registered specialty vape stores can display and promote vape products, but only within the retail establishment. Displays and promotions in front of the retail establishment are not permitted.
- **Mandatory Signage:** Employers or proprietors of retail stores that sell e-cigarettes must post a Vape Product Age Restriction sign and a Vape Product Identification Sign in clear view of the seller and customer at the point of sale. All retailers must post a "No Smoking" and "No Vaping" sign, or a dual "No Smoking and No Vaping" sign, at all entrances, exits, and washrooms, in appropriate locations.

To register as a specialty vape store under the SFOA, applicants will be required to submit both an application for registration as a specialty vape store and a statement of professional accountant to the Board of Health for the public health unit in which their business is located.

Effective January 1, 2020, the province of Ontario amended the regulations under the SFOA to significantly limit the promotion of vaping products. The objective of this regulatory amendment was to address youth vaping by banning the promotion of vapour products in convenience stores and gas stations and to prevent youth from being exposed and influenced by promotion in retail settings. The SFOA regulations were amended to limit the promotion of vapour products in specialty vape, which are only open to persons aged 19 and over.

On February 28, 2020, the Ontario government announced proposals to restrict the retail sale of flavoured vape products and high nicotine vape products (more than 20 mg/mL) to specialty vape stores. The *Smoke-Free Ontario Act, 2017* was amended on May 4, 2020, with the proposed changes. On January 1, 2021, Ontario began enforcing restrictions on sale of flavoured and high nicotine products.

Registrations and Permits

180 Smoke required to obtain and maintain specialty vape store registrations, tobacco retail dealer permits, and comply with various city bylaws with respect to vaping and tobacco sales including municipal business licences, as applicable.

Cannabis Regulatory Overview

The following summary is intended to provide a general overview of the primary Canadian federal and provincial Laws in respect of the distribution and sale of adult-use cannabis, cannabis products and cannabis accessories. The provincial and territorial regulatory frameworks relating to cannabis are complex and rapidly evolving, with provincial and territorial governments in Canada having taken different approaches to regulating cannabis and cannabis-related activities. The below summary is not intended to be an exhaustive and does not address the Laws of any other jurisdiction. The Company continues to monitor regulatory developments and their impact(s) on the Business, including the Company's proposed plans for further expansion and growth.

Federal Framework

On October 17, 2018, the Cannabis Act and the Cannabis Regulations came into force in Canada, replacing the *Access to Cannabis for Medical Purposes Regulations* (Canada) ("**ACMPR**") and the *Controlled Drugs and Substances Act* (Canada) ("**CDSA**") as the governing Laws in respect of the production, processing, sale and distribution of cannabis for medical and adult recreational use.

The Cannabis Act provides a licensing and permitting framework for the cultivation, processing, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for adult recreational use, which is implemented by the Cannabis Regulations. Among other things, the Cannabis Act:

- Contains restrictions on the amounts of cannabis that individuals can possess and distribute, on public consumption and use.
- Prohibits the sale of cannabis unless authorized by the Cannabis Act.
- Permits individuals 18 years of age or older to cultivate, propagate, and harvest up to and including four (4) cannabis plants in their dwelling-house, propagated from a seed or plant material authorized by the Cannabis Act.
- Restricts (but does not strictly prohibit) the promotion and display of cannabis, cannabis accessories and services related to cannabinoids to consumers, including restrictions on branding and a prohibition on false or misleading promotion and on sponsorships.
- Permits the informational promotion of cannabis in specified circumstances to individuals 18 years of age and older (or any older age specified by applicable provincial legislation).

- Contains packaging and labelling requirements for cannabis and cannabis accessories.
- Prohibits the sale of cannabis or cannabis accessories in packaging or with labelling that could be appealing to young persons.
- Provides the designated Minister with the power to recall any cannabis or class of cannabis on reasonable grounds that such a recall is necessary to protect public health or public safety.
- Establishes the cannabis tracking and licensing system.
- Provides powers to designated inspectors for the purpose of administering and enforcing the Cannabis Act and a system for administrative monetary penalties.

The Cannabis Act provides provincial and municipal governments the authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements, such as increasing the minimum age for the purchase and consumption of cannabis. As at the AIF Date, various provincial and municipal governments in Canada have enacted legislation to regulate the storefront and online sale of cannabis produced by Licenced Producers.

The Cannabis Regulations, among other things:

- Provide for the issuance of cultivation licences for standard cultivation, micro-cultivation, and nursery cultivation, licences for standard processing and micro-processing, as well as sales licences for medical or non-medical use.
- Contain requirements for all cannabis products to be packaged in a tamper-evident and child-resistant manner.
- Require specified product information on cannabis product labels (such as the name of the party who packaged the products, the product lot number, and the tetrahydrocannabinol and cannabidiol content).
- Prohibit testimonials, lifestyle branding and packaging that is appealing to youth.

Provincial Framework (Ontario)

The following section outlines a general overview of the laws governing the retail sale and distribution of cannabis, cannabis products and cannabis accessories in Ontario.

On December 12, 2017, the Government of Ontario passed the *Cannabis Act, 2017* (Ontario) (the "**Ontario Act**"), to regulate the use, sale and distribution of adult-use cannabis exclusively through a limited number of government stores controlled by the OCS, a subsidiary of the existing Liquor Control Board of Ontario (the "**LCBO**"). In August 2018, following the Ontario provincial election, the new Government of Ontario changed course from their lottery system, announcing a new hybrid system that permits recreational cannabis to be sold in private retail stores, and online through the Province of Ontario.

On October 17, 2018, Bill 36, *An Act to enact a new Act and make amendments to various other Acts respecting the use and sale of cannabis and vapour products in Ontario* (Ontario) ("**Bill 36**"), received Royal Assent. Bill 36 amended the Ontario Act and enacted the *Cannabis Control Act* (Ontario), and the *Cannabis Licence Act, 2018* (Ontario) (the "**Cannabis Licence Act**"), to introduce a licensing regime for privately-owned retail cannabis outlets administered by the AGCO. On November 14, 2018, the Government of Ontario released the *General Regulation* under the Cannabis Licence Act (the "**Ontario Cannabis Regulations**"), which provides a licensing and regulatory regime for privately-owned and operated cannabis retail stores in the Province of Ontario. Authorized cannabis retail outlets may sell cannabis accessories, such as certain smoking accessories, in the same location as cannabis is sold.

As at the AIF Date:

- The AGCO has published the Registrar's Standards for Cannabis Retail Stores, which, among other things, stipulates certain standards and requirements with respect to the advertising and promotional activities, training related to cannabis, security, and certain other matters.
- The Province of Ontario has set the minimum legal age for possession and consumption of cannabis in the province to 19 and permits cannabis smoking or vaping anywhere that permits tobacco smoking or e-cigarettes within the province.
- The OCS maintains a monopoly on online sales within the Province of Ontario and is the exclusive distributor of cannabis between Licenced Producers and cannabis retailers within the province.
- Licenced cannabis retail stores within the Province of Ontario (i) are only permitted to offer for sale cannabis products obtained from the OCS, cannabis accessories and items that in some way directly relate to cannabis or its use, and (ii) may not offer for sale any food or drink that is not cannabis related.

The Cannabis Licence Act has established the following types of licences and authorizations: (i) a retail operator licence (the "**Retail Store Operator Licence**"), (ii) a cannabis retail manager licence (the "**Retail Manager Licence**"), and (iii) an RSA. A cannabis retail store may only open for business within the Province of Ontario upon obtaining a RSA in respect of the specific location, with only applicants for or holders of a Retail Store Operator Licence being eligible to apply for a RSA. In addition, any individual acting in a management function within a cannabis retail store, other than the holder of the Retail Store Operator Licence, must possess a Retail Manager Licence.

Each of the RSA, the Retail Store Operator Licence, and the Retail Manager Licence are subject to certain eligibility criteria. For example, RSAs will not be issued for proposed locations that are within prescribed distances from schools or for locations within municipalities in the province that have opted out of having cannabis stores located within their boundaries prior to January 22, 2019. The AGCO can also refuse an applicant if the AGCO is not satisfied with the applicant's ability to exercise sufficient control (directly or indirectly) over its retail cannabis business, including over the premises, equipment and facilities.

Although the Government of Ontario had previously implemented certain limits on the total number of retail cannabis stores permitted in the province, on December 12, 2019, the Government of Ontario announced that it would be moving toward an open market for retail cannabis stores. Effective January 6, 2020, amendments to the Ontario Cannabis Regulations eliminated the lottery process previously implemented to allocate a fixed number of Retail Store Operator Licences, and opened the application process for Retail Store Operator Licences to any interested applicant (instead of only lottery winners). On March 2, 2020, the AGCO revoked the then-existing restrictions on the total number of RSAs permitted in the province (which restrictions, in the period immediately prior to such date, permitted only applicants notified by the AGCO before January 6, 2020 to apply for a Retail Store Operator Licence).

The amendments implemented on March 2, 2020 also removed the regional distribution limits within the Province of Ontario, permitting retail cannabis stores to be opened in all municipalities that have not "opted out" of the retail cannabis system.

As at the AIF Date, a corporation is not eligible to be issued a Retail Store Operator Licence if more than twenty five percent (25%) of the corporation is owned or controlled, directly or indirectly, by one or more Licenced Producers or their affiliates (as defined under the Ontario Cannabis Regulations).

RISK FACTORS

The Company is subject to a number of risks. A non-exhaustive list of certain specific and general risks that Management is aware of and believe to be material to, and could affect, the business, results of operations, prospects and financial condition of the Company (the "**Non-Exhaustive List of Risk Factors**") is attached as Schedule "A" to this Annual Information Form. When reviewing forward-looking statements and other information contained in this Annual Information Form, readers should carefully consider the Non-Exhaustive List of Risk Factors, as well as other

uncertainties, potential events and industry and company-specific factors that may have a Material Adverse Effect on the Company.

The Non-Exhaustive List of Risk Factors are not a definitive list of all risk factors associated with an investment in Delota or in connection with the Business. Additional risks and uncertainties not presently known to Management or that Management does not currently anticipate will be material may impair the Company's business operations and its operating results, and as a result could materially impact the business, results of operations, prospects and financial condition of the Company. Furthermore, the Company operates in a regulated and rapidly changing environment. New risk factors emerge from time to time and it is not possible for Management to predict all risk factors or the impact of such factors on the Business. Except as required by Applicable Securities Laws, the Company does not intend, and does not assume any obligation, to update or revise the Non-Exhaustive List of Risk Factors attached as Schedule "A" to this Annual Information Form or other information contained in this Annual Information Form.

DIVIDENDS AND DISTRIBUTIONS

In the three most recently completed financial years ended January 31, 2022, 2021 and 2020, the Company has not declared or paid any cash dividends on any of its issued securities. Other than requirements imposed under applicable corporate law, there are no other restrictions on the ability of the Company to pay dividends under the articles and other constating documents of the Company.

As at the AIF Date, the Company does not have any intention of paying dividends in the foreseeable future. Any determination to pay any future dividends in any of the Company's issued securities will remain at the discretion of the Board and will be made based an assessment of various factors, including, the Company's earnings, financial requirements and other conditions deemed relevant by the Board.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares, issuable in series. The preferred shares may be issued in one or more series and the Board is authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

As at the Fiscal Year-End Date, there were 14,809,614 Common Shares issued and outstanding. As at the AIF Date, there were 26,809,615 Common Shares issued and outstanding.

As at the Fiscal Year-End Date and the AIF Date, no preferred shares were issued and outstanding.

Common Shares

Holders of Common Shares are entitled to one (1) vote for each Common Share held at all meetings of the shareholders of Delota, to receive dividends if, as and when declared by the Board at its discretion from funds legally available for the payment of dividends, and, upon the liquidation, dissolution or winding up of Delota, to participate rateably in any distribution of the remaining property or assets of Delota, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares of Delota ranking senior in priority to, or on a *pro rata* basis with, the holders of Common Shares with respect to dividends or liquidation.

The Common Shares do not carry any pre-emptive rights, conversion or exchange rights, or redemption, retraction, repurchase rights, nor do they contain any sinking fund or purchase fund provisions. There are no provisions requiring a holder of Common Shares to contribute additional capital, and there are no restrictions on the issuance of additional Common Shares by Delota.

Preferred Shares

As at the AIF Date, there are no Preferred Shares issued and outstanding. The Preferred Shares may be issued in one or more series and the Board is authorized to determine the voting rights, provisions for exchange, conversion,

exercise, redemption and retraction, dividend rights, and rights upon dissolution or winding-up are subject to the discretion of the Board per each series of Preferred Shares. Generally, the Preferred Shares of each series shall rank on parity with the Preferred Shares of every other series with respect to priority in the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary exclusive of any conversion rights that may affect the aforesaid. No class of shares may be created or rights and privileges increased to rank in parity or priority with the rights and privileges of the Preferred Shares, without limiting the generality of the foregoing, the rights of the Preferred Shares to receive dividends or to return of capital, without the approval of the holders of the Preferred Shares as required under the *Business Corporations Act* (Alberta).

Summary of the Omnibus Plan

The Company has in place an omnibus plan (the "**Omnibus Plan**"), which was last approved by the shareholders of Delota on July 12, 2021. The following summary of certain terms of the Omnibus Plan is qualified, in its entirety, by the full text of the Omnibus Plan, which is included in the 2021 Information Circular incorporated by reference herein, and available under Delota's profile on SEDAR at www.sedar.com.

Purpose, Administration and Eligible Participants

The purpose of the Omnibus Plan is to advance the interests of the Company through the motivation, attraction and retention of key employees, consultants and directors of the Company and designated affiliates of the Company and to secure for the Company and the shareholders of the Company the benefits inherent in the ownership of Common Shares by key employees, consultants and directors of the Company and the designated affiliates of the Company through the granting of non-transferable options to purchase Common Shares (the "**Options**") and RSUs (together, the "**Awards**") to eligible participants under the Omnibus Plan. The Omnibus Plan is currently administered by the Board. Pursuant to the Omnibus Plan, the Board may delegate the administration of the Omnibus Plan to a committee (the "**Committee**") of the directors of the Company authorized to carry out such administration and, failing a committee being so designated, the Omnibus Plan is to be administered by the Board.

Subject to the provisions of the Omnibus Plan, the Committee has the authority to select those persons to whom Awards will be granted. In respect of a grant of Options, eligible participants under the Omnibus Plan include the directors, officers and employees (including both full-time and part-time employees) of the Company or of any designated affiliate of the Company and any person or corporation engaged to provide ongoing management, advisory or consulting services for the Company or a designated affiliate of the Company or any employee of such person or corporation. In respect of a grant of RSUs, eligible participants under the Omnibus Plan include the directors, officers and employees (including both full-time and part-time employees) of the Company or of any designated affiliate of the Company and any person or corporation engaged to provide ongoing management, advisory or consulting services for the Company or a designated affiliate of the Company or any employee of such person or corporation, other than any persons retained to provide Investor Relations Activities (as such terms are defined in the policies of the TSXV).

Common Shares Subject 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 outstanding from time to time. The Omnibus Plan is a "rolling" maximum share Omnibus Plan, and any increase or reduction in the number of outstanding Common Shares will result in an increase or reduction, respectively, in the number of Common Shares that are available to be issued under the Omnibus Plan. 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.

As at the AIF Date, there were 735,000 Common Shares reserved for issue upon the exercise of outstanding Options, representing in the aggregate approximately 2.74% of the issued and outstanding Common Shares, leaving approximately 1,945,961 Common Shares currently available to be reserved for issuance pursuant to new grants of Options under the Omnibus Plan. As at the AIF Date, there were no RSUs issued and outstanding, leaving 740,000 Common Shares currently available to be reserved for issuance pursuant to new grants of RSUs under the Omnibus Plan.

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, unless disinterested shareholder approval of the Company is received therefor in accordance with the policies of the TSXV. The maximum number of Common Shares reserved for issue pursuant to Awards granted under the Omnibus Plan to any one participant in any twelve (12) month period shall not exceed five percent (5%) of the number of Common Shares then outstanding, unless disinterested shareholder approval of the Company is received therefor in accordance with the policies of the TSXV. 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.

The maximum number of Common Shares reserved for issue under Options granted to all eligible employees and to all participants (other than participants who are eligible directors) conducting investor relations activities in any twelve (12) month period shall not exceed, in the aggregate, two percent (2%) of the number of Common Shares then outstanding. Options granted to participants (other than participants who are eligible directors or eligible employees) performing investor relations activities shall vest in stages over a twelve (12) month period, with no more than one-fourth (¼) of the Options vesting in any three (3) month period. The Committee shall, through the establishment of appropriate procedures, monitor the trading in the securities of the Company by all grantees of Options performing investor relations activities.

Option Awards

Nature of Options

An Option is an option granted by the Company to a participant entitling such participant to acquire a designated number of Common Shares from treasury at the exercise price. The Company is obligated to issue and deliver the designated number of Common Shares on the exercise of an Option and shall have no independent discretion to settle an Option in cash or other property other than Common Shares issued from treasury.

Exercise Price of Options

The exercise price of any Option may not be less than the closing price of the Common Shares on the principal stock exchange on which the Common Shares are listed on the last trading day immediately preceding the date of grant of the Option less the maximum discount, if any, permitted by such stock exchange and, if the Common Shares are not then listed on any stock exchange, the exercise price may not be less than the fair market value of the Common Shares as may be determined by the Committee on the day immediately preceding the day of the grant of such Option.

Expiry Date of Options

Each Option, unless sooner terminated pursuant to the provisions of the Omnibus Plan, will expire on a date to be determined by the Committee at the time the Option is granted, subject to amendment by an employment contract, which date cannot be later than ten (10) years after the date the Option is granted. However, if the expiry date falls within a "blackout period" or within ten (10) business days after the expiry of a "blackout period", then the expiry date of the Option will be the date which is ten (10) business days after the expiry of the blackout period.

Vesting and Exercise of Options

Except as otherwise provided in the Omnibus Plan or in any employment contract, each Option may be exercised during the term of the Option only in accordance with the vesting schedule, if any, determined by the Committee at the time of the grant of the Option, which vesting schedule may include performance vesting or acceleration of vesting in certain circumstances and which may be amended or changed by the Committee from time to time with respect to a particular Option, subject to applicable regulatory requirements. If the Committee does not determine a vesting schedule at the time of the grant of any particular Option, such Option will be exercisable in whole at any time, or in part from time to time, during the term of the Option.

Effect of Termination

No Option granted under the Omnibus Plan may be exercised unless the optionee at the time of exercise thereof is:

a) in the case of an eligible employee, an officer of the Company or a designated affiliate of the Company or in the employment of the Company or a designated affiliate of the Company and has been continuously an officer or so employed since the date of the grant of such Option;

b) in the case of an eligible director who is not also an eligible employee, a director of the Company or a designated affiliate of the Company and has been such a director continuously since the date of the grant of such Option; and

c) in the case of any other eligible participant, engaged, directly or indirectly, in providing ongoing management, advisory, consulting, technical or other services for the Company or a designated affiliate of the Company and has been so engaged since the date of the grant of such Option;

provided, however, that if a participant: (i) ceases to be a director of the Company and of the designated affiliates of the Company (and is not or does not continue to be an employee thereof) for any reason (other than death); or (ii) ceases to be employed by, or provide services to, the Company or the designated affiliates of the Company (and is not or does not continue to be a director or officer thereof), or any corporation engaged to provide services to the Company or the designated affiliates of the Company, for any reason (other than death) or receives notice from the Company or any designated affiliate of the Company of the termination of his or her employment contract, except as otherwise provided in any employment contract, such participant will have ninety (90) days from the date of such termination to exercise his or her Options to the extent that such participant was entitled to exercise such Options at the date of such termination. Notwithstanding the foregoing or any employment contract, in no event shall such right extend beyond the period during which the Option was exercisable under the terms of its grant or one (1) year from the date of such termination.

RSU Awards

Nature of an RSU

An RSU is an Award that is a bonus for services rendered in the year of grant, that, upon settlement, entitles the recipient participant to receive a cash payment equal to the closing price of the Common Shares on the TSXV on the last trading date prior to the applicable vesting date or, at the sole discretion of the Committee, a Common Share, and subject to such restrictions and conditions on vesting as the Committee may determine at the time of grant, unless such RSU expires prior to being settled.

Vesting

The Committee shall have sole discretion to determine if any vesting conditions with respect to an RSU, including any performance criteria or other vesting conditions contained in the applicable restricted share unit agreement, have been met or waive the vesting conditions applicable to RSUs (or deem them to be satisfied), and shall communicate to a participant, as soon as reasonably practicable, the date on which all such applicable vesting conditions in respect of a grant of RSUs have been satisfied and the RSUs have vested.

Settlement

Subject to the vesting and other conditions and provisions in the Omnibus Plan and in the applicable restricted share unit agreement, each RSU awarded to a participant shall entitle the participant to receive, on settlement, a cash payment equal to the closing price of the Common Shares on the TSXV on the last trading date prior to the vesting date, or, at the discretion of the Committee, one Common Share or any combination of cash and Common Shares as the Committee in its sole discretion may determine, in each case less any applicable withholding taxes. The Company (or the applicable designated affiliate) may, in its sole discretion, elect to settle all or any portion of the cash payment obligation by the delivery of Common Shares issued from treasury or acquired by a designated broker in the open

market on behalf of the participant. Subject to the terms and conditions in the Omnibus Plan, vested RSUs shall be redeemed by the Company (or the designated affiliate) as described above on the 15th day following the vesting date. Notwithstanding any other provisions in the Omnibus Plan, no payment, whether in cash or in Common Shares, shall be made in respect of the settlement of any RSUs later than December 15th of the third calendar year following the end of the calendar year in respect of which such RSU is granted.

Dividend Equivalents

Dividend equivalents may, as determined by the Committee in its sole discretion, be awarded as a bonus for services rendered in the year in respect of unvested RSUs in a participant's account on the same basis as cash dividends declared and paid on Common Shares as if the participant was a holder of record of Common Shares on the relevant record date. In the event that the participant's applicable RSUs do not vest, all dividend equivalents, if any, associated with such RSUs will be forfeited by the participant.

Effect of Death

If a participant dies, any unvested RSUs in the participant's account as at the date of such death shall become immediately forfeited and cancelled. For greater certainty, where a participant's employment or service relationship with the Company or a designated affiliate is terminated as a result of death following the satisfaction of all vesting conditions in respect of particular RSUs but before receipt of the corresponding distribution or payment in respect of such RSUs, the participant shall remain entitled to such distribution or payment. Notwithstanding the foregoing, if the Committee, in its sole discretion, instead accelerates the vesting or waives vesting conditions with respect to all or some portion of outstanding unvested RSUs, the date of such action is the applicable vesting date.

Effect of Termination

If a participant: (i) ceases to be a director or the Company or of a designated affiliate, as the case may be (and is not or does not continue to be an employee thereof), for any reason (other than death); or (ii) ceases to be employed by, or provide services to, the Company or the designated affiliates (and is not or does not continue to be a director or officer thereof), or any corporation engaged to provide services to the Company or the designated affiliates, for any reason (other than death) or shall receive notice from the Company or the designated affiliates of the termination of their employment contract; the participant's participation in the Omnibus Plan will be terminated immediately, all RSUs credited to such participant's account that have not vested will be forfeited and cancelled, and the participant's rights that relate to such participant's unvested RSUs shall be forfeited and cancelled on the termination date. Notwithstanding the foregoing, if the Committee, in its sole discretion, instead accelerates the vesting or waives vesting conditions with respect to all or some portion of outstanding unvested RSUs, the date of such action is the applicable vesting date.

Consolidation, Merger, etc.

If there is a consolidation, merger or statutory amalgamation or arrangement of the Company with or into another corporation, a separation of the business of the Company into two (2) or more entities or a sale, lease exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company to another entity, upon the exercise or settlement, if applicable, of an Award under the Omnibus Plan the holder thereof is entitled to receive the securities, property or cash which the holder would have received upon such consolidation, merger, amalgamation, arrangement, separation or transfer if the holder had been a holder of Common Shares immediately prior to the effective time of such event, unless the Committee otherwise determines appropriate adjustments or substitutions to be made in such circumstances in order to maintain the economic rights of the participant in respect of such Award in connection with such event.

Securities Exchange Take-Over Bid

If a take-over bid (within the meaning of the *Securities Act* (Ontario)) is made as a result of which all of the outstanding Common Shares are acquired by the offeror through compulsory acquisition provisions of the incorporating statute of the Company or otherwise, and where consideration is paid in whole or in part in equity securities of the offeror, the

Committee may send notice to all participants requiring them to surrender their Awards within ten (10) days of the mailing of such notice, and the optionees shall be deemed to have surrendered such Awards on the tenth (10th) day after the mailing of such notice without further formality, provided that, among other things, the Committee delivers with such notice an irrevocable and unconditional offer by the offeror to grant replacement options to the participants on the equity securities offered as consideration.

Acceleration on Take-Over Bid, Consolidation or Merger

In the event that: (a) the Company seeks or intends to seek approval from the shareholders of the Company for a transaction which, if completed, would constitute an Acceleration Event (as hereinafter defined); or (b) a person makes a bona fide offer or proposal to the Company or the shareholders of the Company which, if accepted or completed, would constitute an Acceleration Event, then the Company is required to send notice to all optionees of such transaction, offer or proposal as soon as practicable. Provided that the Committee has determined that no adjustment will be made under the provisions of the Omnibus Plan described above under the heading "Consolidation, Merger, etc."; (i) the Committee may by resolution, and notwithstanding any vesting schedule applicable to any Option, permit all Options outstanding which have restrictions on their exercise to become immediately exercisable during the period specified in the notice (but in no event later than the applicable expiry date of an Option), so that the optionee may participate in such transaction, offer or proposal; and (ii) the Committee may accelerate the expiry date of such Options and the time for the fulfillment of any conditions or restrictions on such exercise. An "Acceleration Event" means an acquisition by any offeror of beneficial ownership of more than fifty percent (50%) of the votes attached to the outstanding voting securities of the Company, any consolidation merger or statutory amalgamation or arrangement of the Company with or into another corporation and pursuant to which the Company will not be the surviving entity (other than a transaction under which the shareholders of the Company immediately prior to completion of the transaction will have the same proportionate ownership of the surviving corporation), a separation of the business of the Company into two (2) or more entities, a sale, lease exchange or other transfer of all or substantially all of the assets of the Company to another entity or the approval by shareholders of the Company of any plan of liquidation or dissolution of the Company.

Amendments, Modifications and Changes

The Committee has the right under the Omnibus Plan to make certain amendments to the Omnibus Plan, including, but not limited to, amendments of a "housekeeping" nature, to comply with applicable law or regulation, to the vesting provisions of the Omnibus Plan, to the terms of any Award previously granted (with the consent of the optionee), and with respect to the effect of the termination of an optionee's position, employment or services under the Omnibus Plan, to the categories of persons who are participants in respect of the administration or implementation of the Omnibus Plan.

The Committee has the right, under the Omnibus Plan, with the approval of the shareholders of the Company, to make certain amendments to the Omnibus Plan, including, but not limited to, any change to the number of Common Shares issuable from treasury under the Omnibus Plan, any amendment which reduces the exercise price of any Award, any amendment which extends the expiry date of an Award other than as permitted under the Omnibus Plan, any amendment which cancels any Award and replaces such Award with an Award which has a lower exercise price, any amendment which would permit Awards to be transferred or assigned by any participant other than as currently permitted under the Omnibus Plan, and any amendments to the amendment provisions of the Omnibus Plan.

Options

As at the Fiscal Year-End Date and the AIF Date, the Company has an aggregate of 735,000 unexercised Options issued and outstanding under the Omnibus Plan. The following table describes the material terms of the issued and outstanding Options.

Date Issued	Number of Underlying Common Shares	Exercise Price	Expiry Date
October 10, 2018	100,000	$0.50	October 10, 2023
November 1, 2018	120,000	$0.50	November 1, 2023

May 21, 2021	515,000	$0.50	May 21, 2025

RSUs

As at the Fiscal Year-End Date and the AIF Date, the Company has no RSUs issued and outstanding under the Omnibus Plan.

Warrants

As at the Fiscal Year-End Date and the AIF Date, the Company has an aggregate of 2,962,956 unexercised Warrants issued and outstanding. The following table describes the material terms of the issued and outstanding Warrants.

Date Issued	Number of Underlying Common Shares	Exercise Price	Expiry Date
April 1, 2021	2,962,956	$0.675	April 1, 2023[(1)]

Note:

(1) In the event that the closing price of the Common Shares on the TSXV is at least $1.00 per share for a minimum of ten (10) consecutive trading dates, the Company may provide written notice to the holders of the Warrants accelerating the expiry date of such Warrants to be thirty (30) days following the date of such written notice.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed for trading on the TSXV under the trading symbol "LOTA".

The following table sets forth information relating to the high and low closing market prices and the volume traded of the Common Shares on the TSXV for the months indicated:

Month	($) High	($) Low	Trading Volume
January 2023	0.16	0.14	33,326
December 2022	0.155	0.115	172,480
November 2022	0.18	0.11	273,937
October 2022	0.19	0.15	140,020
September 2022	0.19	0.15	102,469
August 2022	0.20	0.155	379,398
July 2022	0.195	0.17	448,875
June 2022	0.22	0.175	858,149
May 2022	0.225	0.16	260,355
April 2022	0.255	0.21	196,432
March 2022	0.285	0.22	172,198
February 2022	0.285	0.24	322,775
January 2022	0.30	0.215	358,354
December 2021	0.29	0.22	352,227
November 2021	0.37	0.17	787,543
October 2021	0.28	0.16	873,168
September 2021	0.37	0.20	566,769
August 2021	0.30	0.20	685,564
July 2021	0.30	0.20	626,050
June 2021	0.45	0.275	846,063
May 2021	0.45	0.35	867,630

April 2021	0.525	0.325	932,425
March 2021	0.725	0.425	2,424,507
February 2021	1.95	0.15	11,493,327

Note:
(1) All figures in this table are reported on a post-Consolidation basis.

Prior Sales

During the fiscal year of Delota ended January 31, 2022, the Company issued the following securities, which are convertible into Common Shares but are not listed or quoted on a marketplace:

Warrants

Date Issued	Number of Warrants	Number of Common Shares Issuable Upon Exercise	Exercise Price (per Common Share)
April 1, 2021	2,962,956	2,962,956	$0.675

ESCROWED SECURITIES

As at the AIF Date, there were no escrowed securities or securities subject to contractual restrictions on transfer.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets out certain information with respect to the directors and/or officers of Delota. Each director of Delota is elected to hold office until the next annual meeting of the shareholders of the Company or until their successor is duly elected or appointed.

Name, Province, and Country of Residence, Position with the Company	Present Principal Occupation If Different From Office Held & Principal Occupation For The Past 5 Years(1)	Term of Appointment	Common Shares Owned or Over Which Control or Direction is Exercised(2)(3)
Mark Pelchovitz(4) *Ontario, Canada* *Director and Executive Chair*	Partner at Truster Zweig LLP (since 1989). Mr. Pelchovitz is a Chartered Public Accountant.	Director from May 31, 2019 to present Executive Chair from May 13, 2021 to present	2,779,299 (10.37%)

Cameron Wickham *Ontario, Canada* *Director, Executive Vice Chair, Chief Executive Officer, and Corporate Secretary*	Director, CEO and Corporate Secretary (since May 2021); Corporate finance advisor/consultant to various listed issuers (between 2012 – 2023); Director and Interim Chief Financial Officer of Champion Gaming Group Inc. (since March 2021); Chief Financial Officer of Baymount Incorporated (since March 2019); Director of Highvista Gold Inc. (since October 2022). Mr. Wickham has over ten years of experience in public company management in the vape, cannabis, gaming and consumer finance sectors.	May 7, 2021 to present	310,000 (1.16%)
Steven Glaser(4) *Ontario, Canada* *Director*	Director, Chief Financial Officer and Chief Operating Officer of Pool Safe Inc. (since April 2017); Principal of Glaser Capital Advisors (since October 2015). Mr. Glaser is a financial service executive with a diverse background in corporate finance, communications and governance for private and public companies.	May 31, 2019 to present	86,666 (0.32%)
Marc Askenasi(4) *Ontario, Canada* *Director*	Founder and President of Pi Co. (since May 2016); President of Baron Group Ventures Inc. (since February 2009). Mr. Askenasi is an entrepreneur with a diverse background in quick service restaurants, advertising, media and gaming.	July 12, 2021 to present	Nil (0.00%)
Daniel Pelchovitz *Ontario, Canada* *Director and Chief Executive Officer of the Company's Cannabis Division*	Director and Chief Executive Officer of the Company's cannabis division (since May 2019); Founder, President and Chief Executive Officer of Spyder Vapes Inc. (since October 2014). Mr. Pelchovitz has over eight years of experience in the cannabis and vape sectors and has successfully launched and operated a number of retail stores.	Director from May 31, 2019 to present Chief Executive Officer of the Company's Cannabis Division from May 7, 2021	764,328 (2.85%)

Ankit Gosain *Ontario, Canada* *Chief Financial Officer*	CFO (since May 2021); Principal of BKG Professional Corporation (since February 2018); Chief Financial Officer of KMT-Hansa Corp. (since August 2019); Consultant to a number of private and public companies (between 2016 – 2021). Mr. Gosain is a CFA Charterholder, Chartered Professional Accountant and Chartered Accountant, and an advisor to various private and public companies.	May 7, 2021 to present	155,000 (0.58%)
Christina Pan *Ontario, Canada* *Chief Operating Officer*	COO (since May 2021); Chief Operating Officer of 180 Smoke (since September 2019); Corporate Development Manager of Origin House (October 2018 – September 2019); Director of Marketing of Restaurant Brands International (June 2016 – August 2018). Ms. Pan has over ten years of experience in retail, Quick Service Restaurants (QSR) and Consumer Package Goods (CPG).	May 21, 2021 to present	Nil (0.00%)

Notes:

(1) Information with respect to the principal occupation, business or employment is not within the knowledge of the Company and has been furnished by the respective director and/or officer.
(2) The number of Common Shares beneficially owned, or over which control or direction is exercised, not being within the direct knowledge of the Company, has been furnished by the respective director and/or officer or obtained from SEDI and may include Common Shares owned or controlled by their spouses and/or children and/or companies controlled by them or their spouses and/or children.
(3) Percentage of total Common Shares is based on 26,809,615 Common Shares issued and outstanding as at the AIF Date.
(4) Member of the Audit Committee.

As at the AIF Date, based on the Company's review of insider reports filed with SEDI and from information furnished by each director and/or officer of Delota, the directors and/or officers of the Company, as a group, beneficially owned, directly or indirectly, and exercised control or direction over approximately 4,095,293 Common Shares, representing approximately 15.28% of the issued and outstanding Common Shares as at the AIF Date.

The following are brief biographies of the directors and officers of the Company:

Mark Pelchovitz (Director and Executive Chair)

Mr. Pelchovitz is a partner at Truster Zweig LLP where his practice focuses primarily on accounting, auditing, and tax planning in a wide range of fields, including real estate, software development, travel, professionals, and the automotive industry. His client base is comprised of owner managed businesses. Mr. Pelchovitz is a CPA, CA, LPA and a BBA, and a graduate of York University's Schulich School of Business.

Cameron Wickham (Director, Executive Vice Chair, Chief Executive Officer, and Corporate Secretary)

Mr. Wickham is a seasoned public company executive with over a decade of experience in various sectors, including vape, cannabis, gaming and consumer finance. He has a proven track record of successfully navigating complex going public transactions in Canada and the United States, with a specialty in early-stage financing structures, M&A and ongoing management of public companies having extensive experience in managing corporate finance, audit and legal teams. Mr. Wickham began his career in investment banking after obtaining his Bachelor of Commerce from Queen's University. He currently serves as a director and Interim Chief Financial Officer of Champion Gaming Group Inc., as

Chief Financial Officer of Baymount Incorporated, as a director of Highvista Gold Inc., and as an advisor to a number of public companies.

Steven Glaser (Director)

Mr. Glaser is a financial service executive with a diverse background in corporate finance, communications and governance for private and public companies. He is currently Chief Financial Officer, Chief Operating Officer and a director at Pool Safe Inc., a company that designs, develops and distributes a product known as the "LounGenie". From 2008 through 2017, Mr. Glaser worked in the corporate finance and investment banking arena focused on assisting late stage private and early-stage public companies with strategic planning and capital raising. Prior to that, Mr. Glaser spent seven years as Vice President Corporate Affairs of Azure Dynamics Corporation. He was responsible for the company's corporate governance, its domestic and international stock exchange listings, as well as the build-out of the company's investor relations division. Mr. Glaser holds a Bachelor of Administrative Studies degree as well as an M.B.A. in finance.

Marc Askenasi (Director)

Mr. Askenasi has founded numerous companies, orchestrated transactions with and has acted as a consultant to both private and public companies across an array of sectors including: advertising, marketing media, publicity, government, gaming (lottery and casino), telecommunications, healthcare, mining exploration, restaurants and hospitality. Mr. Askenasi is the Founder and President of Pi Co., one of the fastest growing quick service restaurant franchises in Canada. He is also the President of Baron Group Ventures Inc. and is a director of Spruce Ridge Resources Ltd., a listed issuer.

Daniel Pelchovitz (Director and Chief Executive Officer of the Company's Cannabis Division)

Mr. Pelchovitz is a leader in the vape industry and was the founder of Spyder Vapes Inc. which was acquired by the Company through a reverse takeover transaction completed on May 31, 2019. In addition to launching Spyder Vapes, Mr. Pelchovitz has been involved in several vape shop and cannabis store launches. With over eight years of experience in the vape industry, Mr. Pelchovitz has cultivated a loyal following of customers and has built strong and lasting relationships with many of the largest manufacturers in the business. Since 2019, Mr. Pelchovitz has developed and launched the Company's SPDR Cannabis and Offside Cannabis dispensary brands. Mr. Pelchovitz holds a diploma in international business from Seneca College.

Ankit Gosain (Chief Financial Officer)

Mr. Gosain is a highly experienced professional with over a decade of experience in providing business advisory, accounting and corporate strategy services to a variety of industries including cannabis, technology, pharmaceutical, real estate and natural resources. Mr. Gosain has helped numerous public companies in resolving complex accounting issues and implementing systems to address corporate governance, regulatory and reporting requirements. Mr. Gosain has assisted companies in going public transactions through CPCs and reverse takeovers. Mr. Gosain obtained his CPA, CA designation and his CFA Charterholder after graduating from Western University and has experience working in national and international accounting firms in Canada. Mr. Gosain also provides advisory services to a number of private and public companies.

Christina Pan (Chief Operating Officer)

Ms. Pan has over ten years of experience in retail, Quick Service Restaurants (QSR) and Consumer Package Goods (CPG). Since September 2019, Christina has been leading the 180 Smoke business and assisted with the acquisition of 180 Smoke by the Company. In 2018, Ms. Pan joined the booming cannabis sector as a key member of Origin House's (acquired by Cresco Labs Inc.) corporate development team where she spearheaded transaction, due diligence and integration for all retail and marketing related assets. Prior to Origin House, Christina was at an iconic Canadian brand, Tim Hortons (RBI/3G), which oversees the system of 4,000+ restaurants across the nation. At Tim Hortons, Ms. Pan was involved in all aspects of the business where she led category strategy, product innovation and loyalty development. Prior to Tim Hortons, Christina developed strong marketing and sales skills at Revlon Cosmetics where

she launched various award-winning products and actively managed key accounts. Ms. Pan holds HBA and MBA degrees from Ivey Business School (Western University).

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

As at the AIF Date, no director or executive officer of the Company is, or has been within 10 years before the AIF Date, a director, chief executive officer or chief financial officer of any company (including Delota), that:

(a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that Person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

As at the AIF Date, no director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of Delota to affect materially the control of the Company:

(a) is, as at the AIF Date, or has been within the 10 years before the AIF Date, a director or executive officer of any company (including Delota) that, while that Person was acting in that capacity, or within a year of that Person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the AIF Date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

As at the AIF Date, no director or executive officer of the Company, nor a shareholder of holding a sufficient number of securities of Delota to affect materially the control of the Company, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The Company's directors and officers may serve as directors and/or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of Delota may have a conflict of interest in negotiating and concluding terms respecting the transaction. The Company's directors and officers may, from time to time, also be engaged in certain outside business interests that do not materially or adversely interfere with their duties to the Company. In some cases, the Company's

directors and officers may have fiduciary obligations associated with such outside business interests, that could interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. Further, such outside business interests could require significant time and attention of the Company's directors and officers.

In addition, the Company may also become involved in other transactions which conflict with the interests of the Company`s directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable Laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable Laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

PROMOTERS

Other than described herein, within the two most recently completed financial years ended January 31, 2022 and January 31, 2021 and to the AIF date, no person has been a promoter of the Company. Cameron Wickham may be considered to be a promoter of the Company in that he took initiative in substantially reorganizing the Company's Business. As at the AIF Date, Mr. Wickham beneficially owns, controls or directs, directly or indirectly, 310,000 Common Shares, representing 1.16% of the issued and outstanding Common Shares. On May 21, 2021, Mr. Wickham was issued 160,000 Options which vested immediately, exercisable at $0.50 and expiring on May 21, 2025. As at the AIF Date, Mr. Wickham has not exercised any of his Options.

On July 29, 2022, an outstanding secured loan, in the principal amount of $200,000, between the Company and an independent third party (at the time the loan was entered into) was assigned to a corporation controlled by Mr. Wickham. The loan bears interest at a nominal interest rate of 21.70% per annum and is payable on demand.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company was not subject to any material legal proceedings during its most recently completed financial year, nor is the Company or any of its properties a party to or the subject of any such proceedings, and no such proceedings are known to be contemplated. The Company may be involved in routine, non-material litigation arising in the ordinary course of business, from time to time.

Regulatory Actions

There were no penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority during its most recently completed financial year, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Annual Information Form, and inclusive of the August 2022 Loan Assignment, Delota is not aware of any material interest, direct or indirect, of: (i) any Person that beneficially owns, or exercises control or direction over, directly or indirectly, more than ten percent (10%) of the voting rights attached to the Common Shares; (ii) any director or officer of the Company; or (iii) any associate or affiliate of any of the foregoing, in any transaction which has been entered into within the three (3) most recently completed financial years of Delota, or

during the current financial year, that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares is Capital Transfer Agency, ULC, located at 390 Bay Street, Suite 920, Toronto, Ontario, M5H 2Y2.

MATERIAL CONTRACTS

Except for the loan agreement pursuant to the August 2022 Loan Assignment and contracts entered into in the ordinary course of business, there were no contracts entered into by the Company during the 12-month period ended January 31, 2022 which are material, or entered into before the 12-month period ended January 31, 2022, but are still in effect and which are required to be filed with Canadian securities regulators in accordance with Section 12.2 of National Instrument 51-102 – *Continuous Disclosure Obligations*. For more details relating to the loan agreement, see the heading "*Promoters*".

Copies of the above-listed material contracts are available for inspection at the offices of Garfinkle Biderman LLP, legal counsel to Delota, at 1 Adelaide Street East, Suite 801, Toronto, Ontario, M5C 2V9, at any time during ordinary business hours. Copies of the above-listed material contracts are also available under Delota's profile on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

The following are the persons or companies who were named as having prepared or certified a statement, report or valuation in this Annual Information Firm, either directly, or in a document incorporated by reference and whose profession or business gives authority to the statement, report or valuation made by the Person:

- Stern & Lovrics LLP, Chartered Professional Accountants, the Company's independent auditors, have prepared an independent audit report dated May 31, 2022 in respect of Delota's audited consolidated financial statements for the years ended January 31, 2022 and 2021.

Stern & Lovrics LLP, auditors of the Company, has confirmed that they are independent with respect to the Company, in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

AUDIT COMMITTEE

The overall purpose of the Audit Committee of the Company is to assist the Board in its oversight of the integrity of the Company's financial statements and other relevant public disclosure, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

Audit Committee Charter

The Board has adopted a written charter for the Audit Committee (the "**Audit Committee Charter**") which sets out the Audit Committee's responsibility in reviewing the financial statements of the Company and public disclosure documents containing financial information and reporting on such review to the Board, review of the Company's public disclosure documents that contain financial information, oversight of the work and review of the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the Audit Committee Charter is attached as Schedule "B" to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee is comprised of the following members:

Name	Independence[1]	Financial Literacy[2]
Steven Glaser (Audit Committee Chair)	Independent	Financially literate
Mark Pelchovitz (Audit Committee Member)	Non-independent	Financially literate
Marc Askenasi (Audit Committee Member)	Independent	Financially literate

Notes:

(1) Within the meaning of Subsection 6.1.1(3) of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), which requires a majority of the members of an audit committee of a venture issuer not to be executive officers, employees or control persons of the venture issuer or of an affiliate of the venture issuer.

(2) Within the meaning of Section 1.6 of NI 52-110.

The Audit Committee assists the Board in fulfilling its responsibilities for oversight of financial and accounting matters. The Audit Committee, among other responsibilities, reviews the financial reports and other financial information provided by the Company to regulatory authorities and its shareholders and reviews the Company's system of internal controls regarding finance and accounting including auditing, accounting and financial reporting processes (if any).

In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas, for the selection of the Company's independent auditors and for the approval of all non-audit services for which its auditors may be engaged.

Relevant Education and Experience

All members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

The following is a summary of the relevant education and experience of the current members of the Audit Committee:

- **Steven Glaser** – Mr. Glaser is an experienced business executive and advisor who has experience in reviewing and evaluating financial statements of a similar nature and breadth as those of the Company, in his service as a director, officer and/or advisor to a number of public and private companies.

- **Mark Pelchovitz** – Mr. Pelchovitz is a Chartered Professional Accountant and a partner at Truster Zweig LLP where his practice focuses primarily on accounting, auditing, and tax planning. Mr. Pelchovitz has experience in reviewing and evaluating financial statements of a similar nature and breadth as those of the Company in his service as a Chartered Professional Accountant.

- **Marc Askenasi** – Mr. Askenasi is an experienced business executive and advisor who has experience in reviewing and evaluating financial statements of a similar nature and breadth as those of the Company, in his service as a director, officer and/or advisor to a number of public and private companies.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Corporation has not relied on the following exemptions in National Instrument 52-110: (i) section 2.4, (ii) subsection 6.1.1(4), (iii) subsection 6.1.1(5), (iv) subsection 6.1.1(6), and (v) Part 8. However, the Corporation, as a venture issuer, is relying on the exemption provided in section 6.1 of National Instrument 52-110, which provides that a venture issuer is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of National Instrument 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee will review the engagement of the Company's auditors to provide non-audit services, as and when required.

External Auditor Fees

The following table summarizes the fees billed to the Company for services provided by its external auditors, during the fiscal years ended January 31, 2022 and 2021:

Fiscal Year	Audit Fees(1)	Audit Related Fees(2)	Tax Fees(3)	Other Fees(4)	Total Fees
2022	$105,000	Nil	Nil	Nil	$105,000
2021	$35,000	Nil	Nil	Nil	$35,000

Notes:

(1) Aggregate fees billed for the Company's annual financial statements and services normally provided by the external auditor in connection with the Company's statutory and regulatory filings.
(2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as "Audit fees".
(3) Aggregate fees billed in each of the last two fiscal years for professional services rendered by the Company's external auditor for tax compliance, tax advice, tax planning and assistance with tax for specific transactions.
(4) All other fees.

ADDITIONAL INFORMATION

Additional information relating to the Company is available under Delota's profile on SEDAR at www.sedar.com.

Additional information concerning Delota, including the remuneration and indebtedness of the directors and officers of the Company, the principal holders of the Company`s securities and the securities authorized for issuance under the Company`s equity compensation plans, is contained in the 2021 Information Circular, which is incorporated by reference herein, and available under Delota's profile on SEDAR at www.sedar.com.

Additional financial information concerning the Company, including Delota's audited consolidated financial statements, the notes thereto, the auditor's report thereon and related management's discussion and analysis for the fiscal year ended January 31, 2022, can be found on Delota's profile on SEDAR at www.sedar.com.

SCHEDULE "A"

NON-EXHAUSTIVE LIST OF RISK FACTORS

Licences and Permits

The ability of the Company to continue the Business is dependent on the good standing of various Authorizations from time to time possessed by the Company and adherence to all regulatory requirements related to such activities. The Company will incur ongoing costs and obligations related to regulatory compliance, and any failure to comply with the terms of such Authorizations, or to renew the Authorizations after their expiry dates, could have a Material Adverse Effect.

Although Management believes that the Company will meet the requirements of applicable Laws for future extensions or renewals of the applicable Authorizations, there can be no assurance that applicable Governmental Entities will extend or renew the applicable Authorizations, or if extended or renewed, that they will be extended or renewed on the same or similar terms. In the event that the applicable Governmental Entities do not extend or renew the applicable Authorizations, or should they renew the applicable Authorizations on different terms, any such event or occurrence could have a Material Adverse Effect.

The Company remains committed to regulatory compliance. However, any failure to comply with applicable Laws may result in additional costs for corrective measures, penalties, or restrictions on the operations of the Company. In addition, changes in applicable Laws or other unanticipated events could require changes to the operations of the Company, increased compliance costs or give rise to material liabilities, which could have a Material Adverse Effect.

Changes in Laws

The Business is subject to a variety of applicable Laws, including those relating to the marketing, acquisition, manufacturing, management, transportation, storage, sale, packaging and labeling, and disposal of nicotine vapes, tobacco, cannabis and related products. The Company is also subject to applicable Laws relating to health and safety, the conduct of operations, taxation of products and the protection of the environment. As applicable Laws pertaining to the vaping and cannabis industries are relatively new, it is possible that significant legislative amendments may still be enacted – either provincially or federally – that address current or future regulatory issues or perceived inadequacies in the regulatory framework. Changes to applicable Laws could have a Material Adverse Effect.

The legislative framework pertaining to the Canadian adult-use nicotine vaping and cannabis markets are subject to significant provincial and territorial regulation. The legal framework varies across provinces and territories and results in asymmetric regulatory and market environments. Different competitive pressures, additional compliance requirements, and other costs may also limit the Company's ability to participate in such market.

Risks Relating to Suppliers

Cannabis retailers are dependent on the supply of cannabis products from Licenced Producers. There can be no assurance that there will be a sufficient supply of cannabis available to the Company to purchase and to operate the Business or satisfy demand. Licenced Producers' growing operations are dependent on a number of key inputs and their related costs, including raw materials and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact Licenced Producers and, in turn, could have a Material Adverse Effect. Any inability of Licenced Producers to secure required supplies and services or to do so on appropriate terms could also have a Material Adverse Effect. The facilities of the Licenced Producers could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a Material Adverse Effect. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada or other legal or regulatory requirements could also have an impact on the ability of Licenced Producers supplying the Company to continue operating under their Authorizations or the prospect of renewing their Authorizations or on the ability or willingness of the Company to sell product sourced from one or more Licenced Producers, which could have a Material Adverse Effect.

Likewise, nicotine e-liquid and vape retailers are dependent on the supply of vape products from producers and manufacturer. There can be no assurance that there will be a sufficient supply of vape products to the Company to purchase and to operate the Business or satisfy demand. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact vape producers and manufacturers and, in turn, could have a Material Adverse Effect. Any inability of vape producers and manufacturers to secure required supplies and services or to do so on appropriate terms could also have a Material Adverse Effect.

In addition to the foregoing, one or more of the risk factors contemplated in this Annual Information Form may also directly apply to, and impact, the business, operations and financial condition of the Licenced Producers supplying the Company, resulting in such Licenced Producers to experience operational slowdowns or other barriers to operations (including as a result of protective measures associated with COVID-19) which may affect the ability of the Company to obtain and sell product sourced from such Licenced Producer. In turn, such events could have an indirect Material Adverse Effect.

Third Party Relationships

From time to time, the Company may enter into strategic alliances with third parties that the Company believes will complement or augment its Business or will have a beneficial impact on the Company. Strategic alliances with third parties could present unforeseen integration obstacles or costs, may not enhance the Business, and may involve risks that could adversely affect the Company, including the risk that significant amounts of Management's time may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the Company incurring additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that the Company's existing strategic alliances will continue to achieve, the expected benefits to the Business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a Material Adverse Effect.

Reliance on Established Cannabis Retail Stores

The Retail Store Authorizations held by the Company are specific to individual cannabis retail stores. Any adverse changes or disruptions to the functionality, security and operation of the Company's sites or any other form of non-compliance may place the Retail Store Authorizations held by the Company at risk, and have a Material Adverse Effect. As the Business continues to grow, any expansion to or update of the current operating cannabis retail stores of the Company, or the introduction of new cannabis retail stores, will require the approval of the applicable cannabis regulatory authority. There can be no guarantee that the applicable cannabis regulatory authority will approve any such expansions and/or renovations, which could have a Material Adverse Effect.

Reliance on Established Vape Retail Stores

Retailers of vape products are individually authorized under the SFOA to sell vape products. Retailers of vape products are required to submit both an application for registration as a specialty vape store and statement of professional accountant to the Board of Health for the public health unit in which their business is located. Any adverse change or disruptions to the functionality, security and operation of the Company's sites or other form of non-compliance may place the vape retail store held by the Company at risk, and have Material Adverse Effect. As the Business continues to grow, any expansion to or update of the current operating vape store owned and operated by the Company, or the introduction of new vape retail stores, will require approval from Health Canada. There can be no guarantee that Health Canada will approve any such expansion and/or renovations, which could have a Material Adverse Effect.

Many of the Company's products contain or intended for use with nicotine, which is considered to be a highly addictive substance.

Many of the Company's products contain or intended for use with nicotine, a chemical that is considered to be highly addictive. The TVPA was enacted to regulate the manufacture, sale, labelling and promotion of nicotine liquid and vaping products sold in Canada. Any Health Canada regulation, whether of nicotine levels or other product attributes, may require the Company to reformulate, recall and/or discontinue certain of the products it may sell from time to

time, which may have a Material Adverse Effect on the Company's ability to market its products and have a Material Adverse Effect on the Company's business, results of operations and financial condition.

Failure or Significant Delays in Obtaining Regulatory Approvals

The ability of the Company to achieve its business objectives are contingent, in part, upon compliance with the regulatory requirements enacted by applicable Governmental Entities, including those imposed by applicable cannabis regulatory authorities, and obtaining and maintaining all Authorizations, where necessary. The Company cannot predict the time required to secure all appropriate Authorizations for the product offerings of the Company in place from time to time, or the extent of testing and documentation that may be required by Governmental Entities. The impact of regulatory compliance regimes and any delays in obtaining, or failure to obtain, the required Authorizations may significantly delay or impact the development of the business and operations of the Company. Non-compliance could also have a Material Adverse Effect.

Regulatory or Agency Proceedings, Investigations and Audits

The Business requires compliance with many Laws. Failure to comply with these Laws could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a Material Adverse Effect.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by the Company's suppliers and sold by the Company are recalled due to an alleged product defect or for any other reason, the Company may be required to incur unexpected expenses relating to the recall and potentially any legal proceedings that might arise in connection with the recall. In addition, a product recall may require significant attention of, and time from, Management. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company's suppliers were subject to recall, the image of that product and the supplier, as well as the Company, could be negatively affected. A recall for any of the foregoing reasons could lead to decreased demand and could have a Material Adverse Effect. Additionally, product recalls may lead to increased scrutiny of the operations by Governmental Entities or other regulatory agencies, requiring further attention from Management and potential legal fees and other expenses which could also have a Material Adverse Effect.

Product Liability

As a seller of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if the products it sells are alleged to have caused significant loss or injury. In addition, the sale of nicotine liquids, nicotine vaping products, cannabis, and cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of nicotine liquids, nicotine vaping products, cannabis, and cannabis products alone or in combination with other medications or substances could also occur. The Company may be subject to various product liability claims, including that the products they sell caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Company could result in increased costs to the Company, could adversely affect the reputation of the Company with its clients and consumers generally and could have a

Material Adverse Effect. There can be no assurance that the Company or its suppliers will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the products of the Company.

Cannabis Prices

The revenues of the Company are in part derived from the sale and distribution of cannabis, as such, the profitability of the Company may be regarded as being directly related to the price of cannabis. The cost of production, sale, and distribution of cannabis is dependent on a number of key inputs and their related costs, including equipment and supplies, labour and raw materials related to the growing operations of cannabis suppliers, as well other overhead costs such as electricity, water, and utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could have a Material Adverse Effect. Further, any inability to secure required supplies and services or to do so on favourable terms could have a Material Adverse Effect. This includes, among other things, changes in the selling price of cannabis and cannabis products set by the applicable province or territory. There is currently no established market price for cannabis and the price of cannabis is affected by numerous factors beyond the Company's control. Any price decline could have a Material Adverse Effect.

The operations of the Company may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry.

Epidemics and Pandemics (including COVID-19)

The Company faces risks related to health epidemics, pandemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and could have a Material Adverse Effect.

As at the AIF Date, the duration and the immediate and eventual impact of COVID-19 remains unknown. Cannabis stores were deemed an essential service by the Government of Ontario, and as a result all of the Company's dispensaries remained open without interruption, however, stores selling vape and nicotine-related products were not deemed an essential service and thus was faced reduction in operating restrictions at the height of the COVID-19 pandemic in 2020 and 2021. In addition, the unpredictability of the current demand environment and the resurgence of COVID-19, which has impacted consumer access to in-store purchases at bricks and mortar cannabis retail locations, has resulted in a decrease in revenue from the adult recreation market, which may negatively affect the Company's liquidity and working capital. In addition, the Company relies, in part, on third-party service providers to assist them in managing, monitoring and otherwise carrying out aspects of its business and operations, and COVID-19 may affect their ability to devote sufficient time and resources to perform work for the Company. Such events may result in a period of business disruption, reduced operations, any of which could materially affect the Company's business, financial condition and results of operations.

The spread of COVID-19, which has caused a broad impact globally may materially affect the Company. While the potential economic impact brought by, and the duration of, the COVID-19 pandemic is difficult to assess or predict, the pandemic has and could result in significant disruption of global financial markets, which could in the future negatively affect the Company's ability to access capital and the Company's liquidity.

The global outbreak of COVID-19 continues to evolve rapidly. The extent to which the COVID-19 pandemic may impact the Company's business, operations and financial performance will depend on future developments, including but not limited to, matters such as (a) the duration and/or severity of the outbreak including the emergence of new variants of COVID-19, (b) government policies, restrictions and requirements as they relate to social distancing, forced quarantines and other requirements to contain COVID-19, (c) non-governmental influences or challenges such as the failure of banks and/or (d) any kind of ripple effect caused by the substantial economic damage that can be inflicted on society by the COVID-19 pandemic. The ultimate long-term impact of the COVID-19 pandemic is highly uncertain and cannot be predicted with confidence.

A local, regional, national or international outbreak of a contagious disease, apart from COVID-19, could also have similar adverse effects, or other adverse unknown effects, on local economies and potentially the global economy, which may adversely impact the price and demand for the Company's products and its ability to carry out operations. Such an outbreak, if uncontrolled, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows, including a potential reduction in recreational and bulk sales, and, as a result, potential lost revenue.

Public Company Consequences

The Company's status as a reporting issuer may increase price volatility due to various factors, including the ability to buy or sell its Common Shares, different market conditions in different capital markets and different trading volumes. In addition, low trading volume may increase the price volatility of the Common Shares. The increased price volatility could have a Material Adverse Effect.

In addition, as a reporting issuer, the Company and its Business activities will be subject to the reporting requirements of Applicable Securities Laws, and the listing requirements of the TSXV and such other stock exchanges on which its Common Shares may from time to time be listed. Compliance with such rules and regulations will increase the Company's legal and financial costs making some activities more difficult, time consuming or costly and increase demand on its systems and resources.

Market Price of Securities

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced substantial volatility in the past, and recently, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors included macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Company's securities (including the Common Shares) is also likely to be affected by the Company's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Company that may have an effect on the price of the Company's securities include, but are not limited to, the following: the extent of analytical coverage available to investors concerning the Business may be limited if investment banks with research capabilities do not follow the Company's securities, lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of the Company's securities, and a substantial decline in the price of the Company's securities that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Company's securities at any given point in time may not accurately reflect the long-term value of the Company. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Competition

The Company faces, and will continue to face, intense competition from other companies, some of which can be expected to have longer operating histories and greater financial resources (including technical, marketing, and other resources compared to the Company). Such companies may be able to devote greater resources to the development, promotion, sale and support of their respective products and services. Such companies may also have more extensive customer bases and broader customer relationships, and may make it increasingly difficult for the Company to, among other things, enter into favorable business agreements, negotiate favourable prices, recruit or retain qualified employees, and acquire the capital necessary to fund capital investments by the Company.

In addition, Management estimates that, as at the AIF Date, there may be currently hundreds of applications for Retail Store Authorizations being processed by applicable cannabis regulatory authorities. The number of Authorizations granted, and the number of retail cannabis store operators ultimately authorized by applicable cannabis regulatory authorities, could have an adverse impact on the ability of the Company to compete for market share in the cannabis market within various jurisdictions in Canada. The Company also faces competition from illegal cannabis dispensaries, engaged in the sale and distribution of cannabis to individuals without valid Authorizations.

Lastly, as the nicotine vaping and cannabis markets continues to mature, both domestically and internationally, the overall demand for products and the number of competitors may be expected to increase significantly. Such increases may also be accompanied by shifts in market demand, and other factors that Management cannot currently anticipate, and which could potentially reduce the market for the products of the Company, and ultimately have a Material Adverse Effect.

In order to remain competitive in the evolving nicotine vaping and cannabis markets, the Company will need to invest significantly in, among other things, research and development, market development, marketing, production expansion, new client identification, distribution channels, and client support. In the event that the Company is not successful in obtaining sufficient resources to invest in these areas, the ability of the Company to compete in the nicotine vaping and cannabis markets may be adversely affected, which could have a Material Adverse Effect.

Dependence on Key Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of Management as well as certain consultants (collectively, the "**Key Personnel**"). The future success of the Company depends on their continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a Material Adverse Effect on the ability of the Company to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

Conflicts of Interest

The Company may, from time to time, be subject to various potential conflicts of interest due to the fact that some of its officers, directors and consultants may be engaged in a range of outside business activities. The executive officers, directors and consultants of the Company may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the executive officers, directors and consultants of the Company may have fiduciary obligations associated with these outside business interests that interfere with their ability to devote time to the Business and that could have a Material Adverse Effect. These outside business interests could also require significant time and attention of the Company's executive officers, directors and consultants.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors, officers and consultants who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by the Company. The interests of these persons could conflict with those of the Company. Further, from time to time, these persons may also be competing with the Company for available investment opportunities.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable Laws. In particular, in the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable Laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Limited Operating History

The Company has a limited history of operations and is in the early stage of development as it attempts to create an infrastructure to capitalize on the opportunity for value creation in the nicotine vaping and cannabis industries. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The limited operating history may also make it difficult for investors to evaluate the Company's prospects for success. There is

no assurance that the Company will be successful and the likelihood of success must be considered in light of its early stage of operations.

The Company may not be able to achieve or maintain profitability and may incur losses in the future. In addition, the Company is expected to increase its capital investments as it implements initiatives to grow the Business. If the Company's revenues do not increase to offset these expected increases, the Company may not generate positive cash flow. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

Fraudulent or Illegal Activity

The Company is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional undertakings of unauthorized activities, or reckless or negligent undertakings of authorized activities, in each case on the Company's behalf or in their services that violate (a) various applicable Laws, including healthcare Laws, (b) applicable Laws that require the true, complete and accurate reporting of financial information or data, or (c) the terms of the Company's agreements with third parties. Such misconduct could expose the Company to, among other things, class actions and other litigation, increased regulatory inspections and related sanctions, and lost sales and revenue or reputational damage.

The Company cannot always identify and prevent misconduct by its employees and other third parties, including third party service providers, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown, unanticipated or unmanaged risks or losses or in protecting it from governmental investigations or other actions or lawsuits stemming from such misconduct. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its Business, including the imposition of civil, criminal or administrative penalties, damages, monetary fines and contractual damages, reputational harm, diminished profits and future earnings or curtailment of its operations.

General Economic Risks

The operations of the Company could be affected by the economic context should interest rates, inflation or the unemployment level reach levels that influence consumer trends and spending and, consequently, impact the sales and profitability of the Company. Investors should further consider, among other factors, the prospects for success, of the Company, in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. The Company may not be able to effectively or successfully address such risks and uncertainties or successfully implement operating strategies to mitigate the impact of such risks and uncertainties. In the event that the Company fails to do so, such failure could materially harm the Business and could result in a Material Adverse Effect.

Difficulty to Forecast

The Company relies, and will need to rely, largely on its own market research to forecast industry statistics as detailed forecasts are not generally obtainable, if obtainable at all, from other sources at this early stage of the adult-use nicotine vaping and cannabis industries. Failure in the demand for the adult-use nicotine vaping and cannabis products as a result of competition, technological change, change in the regulatory or legal landscape or other factors could have a Material Adverse Effect.

Management of Growth

To manage growth effectively and continue the sale and distribution of nicotine liquids, nicotine vaping products, cannabis, and cannabis products at the same pace as currently undertaken, or at all, the Company will need to continue to implement and improve its operational and financial systems and to expand, train and manage its larger employee base. The ability of the Company to manage growth effectively may be affected by a number of factors, including, among other things, non-performance by third party contractors and suppliers, increases in materials or labour costs, and labour disputes. The inability of the Company to manage or deal with growth could have a Material Adverse Effect.

Additional Capital

The continued development of the Business may require additional financing, and any failure to raise such capital could result in the delay or indefinite postponement of the current and future business strategy of the Company, or result in the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be available on favorable terms. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders of the Company could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of the Common Shares.

In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may increase the debt levels of the Company above industry standards and impact the ability of the Company to service such debt. Any debt financing obtained in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which could make it more difficult for the Company to obtain additional capital and pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, entitle lenders to accelerate repayment of debt and there is no assurance that the Company would be able to repay such debt in such an event or prevent the enforcement of security, if any, granted pursuant to such debt financing.

Inability to Develop New Products or Find Market

The nicotine vaping and cannabis industries are in its early stages of development and it is likely that the Company, and existing and future competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. In addition, the Company may be required to obtain additional regulatory approvals from applicable Cannabis regulatory authorities and any other applicable regulatory authorities, which may take significant amounts of time and entail significant costs. On October 17, 2019, new regulations under the Cannabis Act came into force, permitting the production and sale of cannabis edibles, extracts, and topicals. The impact of these regulatory changes on the Business is unknown. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, could have a Material Adverse Effect.

Product Obsolescence

The nicotine vaping and cannabis markets and associated products and technology are rapidly evolving, both domestically and internationally. As a result, the Company may be unable to anticipate and/or respond to developments in a timely and cost-efficient manner. The process of developing new products is complex and requires significant costs, development efforts, and third-party commitments. Any failure on the part of the Company to develop new products and technologies and/or the potential disuse of the existing products of the Company and technologies could have a Material Adverse Effect. The success of the Company will depend, in part, on the ability of the Company to continually invest in research and development and enhance existing technologies and products in a competitive manner. However, there can be no guarantee that the Company will be able to invest in research and development and enhance existing technologies and products in a competitive and timely manner, and any failure to do so could have a Material Adverse Effect.

Restrictions on Branding and Advertising

The success of the Company depends on the ability of the Company to attract and retain customers. Applicable Laws strictly regulate the way nicotine vaping and cannabis are packaged, labelled, and displayed. The associated provisions are quite broad and are subject to change. As at the AIF Date, applicable Laws prohibit the use of testimonials and endorsements, depiction of people, characters and animals and the use of packaging that may be appealing to young people. Existing and future restrictions on the packaging, labelling, and the display of nicotine liquids, nicotine vaping products, cannabis, and cannabis products may adversely impact the ability of the Company to establish brand

presence, acquire new customers, retain existing customers and maintain a loyal customer base. This could ultimately have a Material Adverse Effect.

Unfavorable Publicity or Consumer Perception

The success of the nicotine vaping and cannabis industries may be significantly influenced by the public's perception thereof. In general, nicotine vaping and cannabis continues to be controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to nicotine vaping and cannabis will be favorable. Consumer perception of the products of the Company may, from time to time, be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of nicotine liquids, nicotine vaping products, cannabis, and cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the nicotine vaping and cannabis markets or any particular product, or consistent with earlier publicity. Future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a Material Adverse Effect, including by affecting the demand for the Company's products and the Business. In particular, adverse scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity, whether or not accurate or with merit, could have a Material Adverse Effect, and could affect the demand for the products of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of nicotine vaping and cannabis in general, or the products of the Company specifically, or associating the consumption of nicotine vaping and cannabis with illness or other negative effects or events, could have a Material Adverse Effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately, or as directed.

Lastly, the parties with which the Company does business from time to time may perceive that they are exposed to reputational risk as a result of the Business, which could make it difficult for the Company to establish or maintain banks and other business relationships. Any failure to establish or maintain such business relationships could have a Material Adverse Effect.

Acquisitions or Dispositions

Since its inception, the Company has completed a number of significant acquisitions. Material acquisitions, dispositions, and other strategic transactions involve a number of risks, including (a) the risk that there could be a potential disruption of the Business, (b) the risk that the anticipated benefits and cost savings of those transactions may not be realized fully, or at all, or may take longer to realize than expected (including the risk that perceived synergies associated with such transactions may not eventuate or are less pronounced than originally expected), (c) the risk that the transactions will result in an increase in the scope and complexity of the operations of the Company which the Company may not be able to managed effectively, and (d) the risk of a loss or reduction of control over certain assets of the Company.

The presence of one or more material liabilities and/or commitments of an acquired company that are unknown to the Company at the time of acquisition could have a Material Adverse Effect. A strategic transaction may also result in a significant change in the nature of the business, operations and strategy of the Company. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the existing operations of the Company.

Further, the Company intends to continue to seek viable market opportunities to grow the Business both organically and through acquisitions, dispositions, and other strategic transactions. Any inability, on the Company's part, to successfully identify and/or execute on such transactions in a timely manner could have a Material Adverse Effect. In particular, the Company may, in pursuing such transactions, devote considerable resources and incur significant expenses (including on, among other things, conducting due diligence and negotiating the relevant agreements and instruments). In the event that a proposed acquisition or disposition is not completed on the terms and within the timelines anticipated, such expenses may reduce the profitability of the Company and could have a Material Adverse Effect.

Challenging Global Financial Conditions

Global financial conditions have been characterized by increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by Governmental Entities. Global financial conditions could suddenly and rapidly destabilize in response to future events as Governmental Entities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes including natural disasters, the outbreak of communicable disease, geopolitical instability, and changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Company, or the ability of the operators of the companies in which the Company may, from time to time, hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. In the event that increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, such events could result in a Material Adverse Effect.

Litigation

The Company may, from time to time, become party to regulatory proceedings, litigation, mediation, and/or arbitration from time to time in the ordinary course of business, which could have a Material Adverse Effect. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, can divert Management's attention and resources and can cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and the Company could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. While the Company may have insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation could have a Material Adverse Effect. Litigation may also create a negative perception of the Company. Any decision resulting from any such litigation could have a Material Adverse Effect.

Dividend Policy

The declaration, timing, amount and payment of dividends are at the discretion of the Board and will depend upon the Company's future earnings, cash flows, acquisition capital requirements and financial condition, and other relevant factors. There can be no assurance that the Company will declare a dividend on a quarterly, annual or other basis.

Customer Acquisitions

The success of the Company depends, in part, on the ability of the Company to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the ability to continually source desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in the aggregate number of customers. Any failure to acquire and retain customers would have a Material Adverse Effect.

Risks Inherent in an Agricultural Business

The business of certain suppliers of the Company involves the growth and cultivation of cannabis. Cannabis is an agricultural product, and as such, the business of growing and cultivating cannabis is subject to the customary risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Weather conditions, which can vary substantially from year to year, may from time to time also have a significant impact on the size and quality of the harvest of the crops processed and sold by certain suppliers of the Company. Significant fluctuations in the total harvest could impact the ability of the Company to operate. Further, high degrees of quality variance can also affect the ability of the Company to obtain and retain customers. There can be no assurance that natural elements will not have a material adverse effect on the cannabis and cannabis products produced by suppliers of the Company, which could have a Material Adverse Effect.

Uninsured or Uninsurable Risks

While the Company may have insurance to protect its assets, operations, and employees, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. No assurance can be given that such insurance will be adequate to cover the liabilities of the Company or that it will be available in the future or at all, and that it will be commercially justifiable. The Company may be subject to liability for risks against which the Company cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available to the Company for normal business activities. Payment of liabilities for which the Company does not carry insurance could have a Material Adverse Effect.

Wholesale Price Volatility

The nicotine vaping and cannabis industries is a margin-based business in which gross profits depend, among other things, on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and demand), taxes, government programs and policies for the nicotine vaping and cannabis industries (including price controls and wholesale price restrictions that may be imposed by provincial agencies responsible for the sale of cannabis or federal agencies for nicotine liquids and nicotine vaping products) and other market conditions, all of which are factors beyond the control of the Company, and which could have a Material Adverse Effect.

Intellectual Property

The success of the Company depends, in part, on the ability to protect the Company's ideas and technologies. As such, the ownership and protection of current and future trademarks, patents, trade secrets and intellectual property rights of the Company, as applicable, are expected to be, key aspects of the future success of the Company. However, registration of trademarks, patents and other intellectual property could potentially be rejected by the governing authorities of the regions in which the Company is currently pursuing, or will from time to time pursue, business opportunities and the validity of any registrations granted may subsequently be challenged by third-parties. The outcome of these registration and validity challenge processes is unpredictable.

In addition, unauthorized parties may attempt to replicate or otherwise obtain and use the current and future products and technologies of the Company. Policing the unauthorized use of the current or future trademarks, patents, trade secrets or intellectual property rights of the Company could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of such events, to the extent involving the Company, could have a Material Adverse Effect.

Finally, other parties may claim that the products of the Company infringe on their proprietary and perhaps patent-protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licences from third parties who allege that the Company may have infringed on their lawful rights. However, such licences may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable, or at all, licences or other rights with respect to intellectual property that the Company does not own.

Transportation Risks

The suppliers of the Company will depend on fast and efficient courier and transportation services. Any prolonged disruption of such courier and transportation services could have a Material Adverse Effect. Due to the nature of the Business, security of product during transport is of the utmost concern. A breach of security during transport or delivery could have a Material Adverse Effect. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of applicable Cannabis regulatory authorities or other regulatory agencies, could also have an impact on the ability of the Company, as well as its suppliers' ability to continue operating.

Leases

The Company may, from time to time, enter into lease agreements for locations in respect of which at the time of entering such agreement, the Company does not have a licence or permit to sell cannabis and cannabis products. In the event the Company is unable to obtain Authorizations to sell cannabis and cannabis products at such locations in compliance with applicable Laws, such leases may become a liability of the Company without a corresponding revenue stream. In the event that the Company is unable to obtain permits and/or licences at numerous locations for which the Company has or will have a lease obligation, this could have a Material Adverse Effect.

Corruption and Anti-Bribery Law Violations

The Company is subject to Canadian Laws which generally prohibit companies and employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, the Company is subject to the anti-bribery and anti-money laundering Laws of foreign jurisdictions in which it may from time to time conduct the Business. The Company's employees or other agents may, without its knowledge and despite its efforts, engage in prohibited conduct, whether prohibited under the Company's policies and procedures or under anti-bribery Laws, for which the Company may be directly or indirectly held responsible. There can be no assurance that the Company's internal control policies and procedures from time to time in effect will protect it from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by its affiliates, employees, contractors or agents. If the Company's employees or other agents are found to have engaged in such practices, the Company could suffer severe penalties and other consequences that may have a Material Adverse Effect.

Applicable Privacy Laws

The Company may from time to time collect and store personal information about its customers and will be responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly client lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach could have a Material Adverse Effect.

SCHEDULE “B”

AUDIT COMMITTEE CHARTER

(See attached)

DELOTA CORP.

(the "Corporation")

AUDIT COMMITTEE MANDATE

OVERALL ROLE AND RESPONSIBILITY

The Audit Committee shall:

1.1 Assist the Board of Directors in its oversight role with respect to:

(a) the quality and integrity of financial information;

(b) the independent auditor's performance, qualifications and independence;

(c) the performance of the Corporation's internal audit function, if applicable; and

(d) the Corporation's compliance with legal and regulatory requirements; and

1.2 Prepare such reports of the Audit Committee required to be included in the information/proxy circular of the Corporation in accordance with applicable laws or the rules of applicable securities regulatory authorities.

MEMBERSHIP AND MEETINGS

The Audit Committee shall consist of three (3) or more Directors appointed by the Board of Directors, none of whom shall be officers or employees of the Corporation or any of the Corporation's affiliates. Each of the members of the Audit Committee shall satisfy the applicable independence and experience requirements of the laws governing the Corporation, and applicable securities regulatory authorities.

The Board of Directors shall designate one (1) member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment. The Board of Directors shall determine whether and how many members of the Audit Committee qualify as a financial expert as defined by applicable law.

STRUCTURE AND OPERATIONS

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board of Directors on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

SPECIFIC DUTIES

Oversight of the Independent Auditor

- Make recommendations to the board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including: (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Obtain from the independent auditor and review the independent auditor's report regarding the management internal control report of the Corporation to be included in the Corporation's annual information/proxy circular, as required by applicable law.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every five years).

Financial Reporting

- Review and discuss with management and the independent auditor:
  - prior to the annual audit the scope, planning and staffing of the annual audit,
  - the annual audited financial statements,
  - the Corporation's annual and quarterly disclosures made in management's discussion and analysis,
  - approve any reports for inclusion in the Corporation's Annual Report, if any, as required by applicable legislation,
  - the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
  - significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements,
  - any significant changes in the Corporation's selection or application of accounting principles,
  - any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies, and

- other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

AUDIT COMMITTEE'S ROLE

The Audit Committee has the oversight role set out in this Charter. Management, the Board of Directors, the independent auditor and the internal auditor all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefor shall also be funded by the Corporation.

APPROVAL OF AUDIT AND REMITTED NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITORS

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the External Auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this protocol. The CFO shall act as the primary contact to receive and assess any proposed engagements from the External Auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.

EXHIBIT "A"

AUDIT COMMITTEE WHISTLER BLOWER POLICY

DELOTA CORP.

(the "Corporation")

AUDIT COMMITTEE "WHISTLE-BLOWER" PROCEDURES POLICY

National Instrument 52-110 Requirement

Pursuant to National Instrument 52-110, the Corporation's Audit Committee is required to establish procedures for:

(a) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

This procedures policy is designed to achieve this purpose.

The Corporation's Procedure

Employees having concerns regarding questionable accounting or auditing matters are encouraged to submit such concerns (the "Accounting Related Complaint") to the Chair of the Corporation's Audit Committee.

Any employee who wishes to make an Accounting Related Complaint may do so anonymously or in confidence by directing such Accounting Related Complaint in writing directly to the Chair of the Audit Committee. Delivery may be made directly to the Chairman or to the Chairman care of the Corporation and marked personal and confidential.

Upon receiving an Accounting Related Complaint, the Chair of the Audit Committee will, depending upon the apparent urgency of the matter, call a meeting of the Audit Committee or add the Accounting Related Complaint to the agenda for consideration at the next regularly scheduled meeting of the Audit Committee.

The Audit Committee shall review and discuss, on a preliminary basis, the nature of the Accounting Related Complaint and the accounting, internal accounting controls or auditing matters that are called intoquestion. In conducting this review, the Audit Committee will hold an *in camera* session, and then may request the attendance, at its discretion, of the Chief Executive Officer, the Chief Financial Officer, the Corporation's auditor and/or the person making the Accounting Related Complaint (if known and if such person is amenable) and/or such other persons as it deems necessary. The purpose of the meeting and the nature of the Accounting Related Complaint shall have been communicated to all such attendees bynotice prior to the meeting.

If the Audit Committee is satisfied upon a preliminary review that the Accounting Related Complaint has merit, the Audit Committee shall authorize the Chair of the Audit Committee to retain and consult with an appropriately qualified: (1) law firm; and (2) a registered public accounting firm, within the meaning of applicable securities legislation, other than the independent auditor, in order to review the Accounting Related Complaint:

Following the conclusion of its inquiries, the Audit Committee shall meet to determine the merit of the Accounting Related Complaint. Minutes of such meeting shall be kept in the normal course in order to ensure a record of the nature and treatment of the Accounting Related Complaint.

Upon reaching such determination, the Audit Committee will communicate its findings and recommendations to the Board. The Board shall consider and implement such recommendations, as it deems advisable, to rectify any deficiencies identified in the Accounting Related Complaint and shall communicate same to management.

The Audit Committee shall ensure that confidentiality will be maintained throughout the investigatory process to the extent practicable and appropriate under the circumstances; and the person who makes the Accounting Related Complaint (if known) shall receive a written summary of the final determination.

The Audit Committee shall retain all documentation regarding the Accounting Related Complaint, its preliminary review, any investigation, determination and implementation of recommendations for a period of no less than ten (10) years.

Administration

The Corporation, through the Chief Executive Officer shall be responsible for the dissemination of this policy to all employees.

No Retaliation

The Corporation will not allow or pursue retaliation of any kind in respect of an Accounting Related Complaint, or for assistance or information provided to applicable authorities in connection with an investigation of breaches of applicable securities law, where such are made or provided in good faith. In addition, no employee may be adversely affected because the employee refused to carry out a directive which, in fact, constitutes corporate fraud, is a violation of this procedure, a violation of the law or presents a substantial and specific danger to the public's health and safety. Any retaliatory action should immediately be reported to the Chairman or any other member of the Corporation's Board of Directors.

Schedule “A”

Appendix B – Supplemental Information to Annual Information Form

(See attached)

Reason for Switch from TSXV to CSE

The Company is a Tier 2 TSXV issuer and is pursuing a switch from the TSXV to the CSE for a number of reasons including: (i) reduced listing fees, both in respect of annual continued listing fees and on a per-transaction basis; and (ii) reduced administrative burden, since the CSE does not require prior approval for private placement offerings and M&A transactions.

Developments subsequent to the Financial Year ended January 31, 2023

There have been no significant developments subsequent to the financial year ended January 31, 2023. The Company is currently focused on identifying and pursuing opportunities to increase its retail footprint.

Directors and Officers

The revised bios below for Cameron Wickham, Daniel Pelchovitz and Marc Askenasi will replace those in the AIF:

Cameron Wickham (Director, Executive Vice Chair, Chief Executive Officer, and Corporate Secretary)

Mr. Wickham is a seasoned public company executive with over a decade of experience in various sectors, including vape, cannabis, gaming, and consumer finance. He has experience in navigating complex going public transactions in Canada and the United States, with a specialty in early-stage financing structures, M&A and ongoing management of public companies having extensive experience in managing corporate finance, audit and legal teams. Mr. Wickham began his career in investment banking after obtaining his Bachelor of Commerce from Queen's University. He currently serves as a director and Interim Chief Financial Officer of Champion Gaming Group Inc., as Chief Financial Officer of Baymount Incorporated, as a director of Highvista Gold Inc., and as an advisor to a number of public companies. Mr. Wickham intends to devote eighty percent (80%) of his time to the business of the Company to effectively fulfil his duties.

Daniel Pelchovitz (Director and Chief Executive Officer of the Company's Cannabis Division)

Mr. Pelchovitz has worked in the vape industry for over eight years. He was the founder of Spyder Vapes Inc. which was acquired by the Company through a reverse takeover transaction completed on May 31, 2019. In addition to launching Spyder Vapes, Mr. Pelchovitz has been involved in several vape shop and cannabis store launches. With over eight years of experience in the vape industry, Mr. Pelchovitz has cultivated a loyal following of customers and has built strong and lasting relationships with many of the largest manufacturers in the business. Since 2019, Mr. Pelchovitz has developed and launched the Company's SPDR Cannabis and Offside Cannabis dispensary brands. Mr. Pelchovitz holds a diploma in international business from Seneca College. Mr. Pelchovitz intends to devote a hundred percent (100%) of his time to the business of the Company to effectively fulfil his duties.

Marc Askenasi (Director)

Mr. Askenasi has founded numerous companies, orchestrated transactions with and has acted as a consultant to both private and public companies across an array of sectors including: advertising, marketing media, publicity, government, gaming (lottery and casino), telecommunications, healthcare, mining exploration, restaurants and hospitality. Mr. Askenasi is the Founder and President of Pi Co., one of the fastest growing quick service restaurant franchises in Canada. He is also the President of Baron Group Ventures Inc.

Daniel Pelchovitz and Mark Pelchovitz are related (father-son relationship).

Please see below the percentage of their time each director and or officer intends to dedicate to the Company:

Ankit Gosain (Chief Financial Officer) – 80%
Christina Pan (Chief Operating Officer) – 100%
Mark Pelchovitz (Director and Executive Chair – 10%
Steven Glaser – 5%
Mark Askenasi – 5%

Please refer to Schedule “I” – Form 2A, Executive Compensation for details of agreements signed by directors and officers with the Company.

Promoters

Other than described herein, within the two most recently completed financial years ended January 31, 2022 and January 31, 2021 and to the AIF date, no person has been a promoter of the Company. Cameron Wickham may be considered to be a promoter of the Company in that he took the initiative in substantially reorganizing the Company’s Business. Mr. Wickham is the Chief Executive Officer, Executive Vice Chair, Corporate Secretary and Director of the Company.

As at the AIF Date, Mr. Wickham beneficially owns, controls, or directs, directly or indirectly, 310,000 Common Shares, representing 1.16% of the issued and outstanding Common Shares. On May 21, 2021, Mr. Wickham was issued 160,000 Options which vested immediately, exercisable at $0.50 and expiring on May 21, 2025. As at the AIF Date, Mr. Wickham has not exercised any of his Options.

On July 29, 2022, an outstanding secured loan, in the principal amount of $200,000, between the Company and an independent third party (at the time the loan was entered into) was assigned to a corporation controlled by Mr. Wickham. The loan bears interest at a nominal interest rate of 21.70% per annum and is payable on demand.

Schedule "B" – Form 2A, Supplemental Information to Narrative Description of Business

(See attached)

Available Funds

The Company is not raising any funds in conjunction with this Listing Statement and, accordingly, there are no proceeds to be raised by the Company pursuant to this Listing Statement. As at March 31, 2023, the Company has approximately $605,000 in working capital and intends to allocate the foregoing funds for the next twelve months as set forth in the *Use of Available Funds* table below, however, it reserves discretion to allocate to other strategic, operational or other demands as and when they arise.

Use of Available Funds

The Company's expected twelve-month projections expects to yield approximately $340,000 in positive cash-flow which has been accounted for below.

Use of Available Funds [1]	Amount
Customer acquisition growth	$100,000
Development of corporate-owned products	$50,000
Further strategic partnerships	$25,000
Enterprise resource planning software system upgrade	$150,000
Total Use of Funds	**$325,000**
General and administrative costs	
• Wages, salaries and director fees	$6,500,000
• Office and general expenses	$2,625,000
• Lease expenses	$2,350,000
• Professional fees	$300,000
• Insurance	$375,000
• Repairs and maintenance	$250,000
Less: gross profit [2]	($12,740,000)
Unallocated working capital	$620,000
Total:	$605,000

Notes:

(1) Any additional variable operational expenses will be funded through revenue from sales of products.

(2) The gross profit was determined by the Company's projection of $32,490,000 of revenue and COGS of $19,750,000

Business Objectives and Milestones

Business Objectives for the next 12 months	Milestone Events	Estimated Timeline	Estimated Costs
Customer acquisition growth	Completion of investment in Search Engine Optimization (SEO) to attract and retain new customers on 180 Smokes online e-commerce platform.	Start: Current Completion: March 2024	$100,000
Development of corporate-owned products	Introduction of additional corporate-owned vape products across the 180 Smoke retail platform to increase sales margins.	Start: Current Completion: March 2024	$50,000
Further strategic partnerships	Completion of additional and/or expanded partnerships for 180 Smoke with brands, distributors, and big tobacco.	Start: Current Completion: March 2024	$25,000
Enterprise Resource Planning (ERP) system upgrade	Completion of 180 Smoke ERP system upgrade.	Start: June 2023 Completion: October 2023	$150,000
Total			$325,000

Schedule "C" – Form 2A, Selected Consolidated Financial Information

(See attached)

5. Selected Consolidated Financial Information

5.1 Annual Information

The following selected financial information has been derived from and is qualified in its entirety by the unaudited interim financial statements of the Company as at and for the nine months ended October 31, 2022, and for the years ended January 31, 2022, January 31, 2021, and January 31, 2020 attached as Appendix "A" of Schedule "K" to this Listing Statement, and should be read in conjunction with such financial statements and the related notes thereto, included in Appendix "A" of Schedule "K" to this Listing Statement, along with the related MD&As thereto attached as Appendix "B" of Schedule "K" to this Listing Statement. All financial statements of the Company are prepared in accordance with International Financial Reporting Standards.

	As at and for the nine months ended October 31, 2022 (unaudited) (CAD$)	As at and for the year ended January 31, 2022 (audited) (CAD$)	As at and for the year ended January 31, 2021 (audited) (CAD$)	As at and for the year ended January 31, 2020 (audited) (CAD$)
Statement of operations				
Total revenue	19,025,012	17,685,848	1,276,124	756,929
Net income (loss)	7,873,172	(8,844,970)	(1,309,618)	(2,179,169)
Net income (loss) per share (basic and diluted)	0.32 (basic) 0.28 (diluted)	(0.65)	(0.03)	(0.07)
Statement of financial position				
Total assets	13,930,769	13,405,060	1,232,269	1,501,332
Total liabilities	11,572,719	21,920,182	2,460,519	1,613,564
Cash dividends declared per share	nil	nil	nil	nil

5.2 Quarterly Information

The following table sets out selected historical financial information of the Company for each of the eight most recently completed quarters ending at October 31, 2022:

	October 31, 2022 (CAD$)	July 31, 2022 (CAD$)	April 30, 2022 (CAD$)	January 31, 2022 (CAD$)	October 31, 2021 (CAD$)	July 31, 2021 (CAD$)	April 30, 2021 (CAD$)	January 31, 2021 (CAD$)
Total revenue	6,758,167	6,480,978	5,785,867	5,578,185	5,351,308	4,731,417	2,024,938	670,929

	October 31, 2022 (CAD$)	July 31, 2022 (CAD$)	April 30, 2022 (CAD$)	January 31, 2022 (CAD$)	October 31, 2021 (CAD$)	July 31, 2021 (CAD$)	April 30, 2021 (CAD$)	January 31, 2021 (CAD$)
Net income (loss)	(4,459)	(67,281)	7,944,912	(7,374,570)	(451,654)	(801,276)	(217,470)	(397,415)
Net income (loss) per share (basic and diluted)	(0.00)	0.01	0.42 (basic) 0.35 (diluted)	0.54	(0.03)	(0.06)	(0.02)	0.04

5.4 Foreign GAAP

This is not applicable to the Company.

Schedule "D" – Form 2A, Management's Discussion and Analysis

(See attached)

6. Management's Discussion and Analysis

The Company's management's discussion and analysis as at and for the nine months ended October 31, 2022, and for the years ended January 31, 2022, January 31, 2021, and January 31, 2020, is attached to Appendix "B" of Schedule "K" hereto.

Schedule "E" – Form 2A, Consolidated Capitalization

(See attached)

8. Consolidated Capitalization

The following table sets forth the Company's consolidated capitalization as of January 31, 2022, (based on the audited annual financial statements of the Company for the financial year ended January 31, 2022), and as of the date of this Listing Statement. There has been no material change in the capitalization of the Company since January 31, 2022, other than as reflected below.

Designation	As of January 31, 2022	As at the date of this Listing Statement
Stock options	735,000	735,000
Common shares	14,809,614	26,809,615 [1]
Preferred shares	Nil	Nil
Restricted share units	Nil	Nil
Warrants	2,962,956	2,962,956

Notes:

(1) On March 30, 2022, the Company completed the acquisition of 2766563 Ontario Inc. pursuant to which the Company issued 12,000,001 common shares at a price of $0.25 per share.

Schedule “F” – Form 2A, Options to Purchase Securities

(See attached)

9. Options to Purchase Securities

Set forth below is a summary of the Company's stock options outstanding ("**Options**") as of the date of this Listing Statement.

Category [(1)]	**Number of Shares reserved for issuance upon exercise of Options**	**Exercise Price (CAD$)**	**Date of Grant**
Employees, officers, directors, and consultants	100,000	$0.50	October 10, 2018
Employees, officers, directors and consultants	120,000	$0.50	November 1, 2018
Employees, officers, and directors	515,000	$0.50	May 21, 2021
Total	**735,000**		

Notes:

1. The information in this table relates to an aggregate of 14 individuals who are either employees, officers, directors, or consultants of the Company.

A summary of the Company's omnibus plan is set out in the Description of Capital Structure section – "Summary of Omnibus Plan" of the AIF attached as Schedule "A" to this Listing Statement.

Schedule "G" – Form 2A, Principal Shareholders
(See attached)

12. Principal Shareholders

As of the date of this Listing Statement, to the knowledge of the directors or executive officers of the Company, no person owns, directly or indirectly, or exercises control or direction over, shares carrying more than 10% of the voting rights attached to all outstanding common shares of the Company except as set forth below:

Name	No. of Shares Owned or Controlled	Percentage of Outstanding Shares
Mark Pelchovitz	2,779,299	10.37%

Schedule "H" – Form 2A, Capitalization

(See attached)

14. Capitalization

14.1 The following tables provide information about the Company's anticipated capitalization as of the listing date:

Issued Capital

	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% Of Issued (non-diluted)	% Of Issued (Fully diluted)
Public Float				
Total outstanding (A)	26,809,615	30,507,571	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	7,283,629	7,283,629	27.17%	23.87%
Total Public Float (A-B)	19,525,986	23,223,942	72.83%	76.13%
Freely Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	Nil	Nil	Nil	Nil
Total Tradeable Float (A- C)	26,809,615	30,507,571	100%	100%

Public Securityholders (Registered)

Instruction: For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	2	1,456
1,000 – 1,999 securities	2	2,964
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	3	9,192
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	25	1,895,407
TOTAL	**32**	**1,909,019**

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	126	4,015
100 – 499 securities	191	43,391
500 – 999 securities	66	46,126
1,000 – 1,999 securities	79	97,398
2,000 – 2,999 securities	85	186,430
3,000 – 3,999 securities	22	69,325
4,000 – 4,999 securities	29	120,431
5,000 or more securities	175	8,217,335
Unable to confirm		
TOTAL	773	8,784,451

Non-Public Securityholders (Registered)

Instruction: For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	Nil	Nil
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	10	16,066,640
TOTAL	**10**	**16,066,640**

14.2 Provide the following details for any securities convertible or exchangeable into any class of listed securities.

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Options (1)	735,000	735,000
Warrants (2)	2,962,956	2,962,956

Notes:

1. The Company granted 100,000 Options and 120,000 Options on October 10, 2018, and November 1, 2018, respectively at an exercise price of $0.50 per share, exercisable for a period of five years from the date of grant. On May 21, 2021, the Company granted 515,000 Options to various employees, directors, and officers at an exercise price of $0.50 per share, exercisable for a period of four years from the date of grant.
2. 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 Venture Exchange 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.

14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2.

There are no listed securities reserved for issuance that are not included in section 14.2.

Schedule “I” – Form 2A, Executive Compensation

(See attached)

Form 51-102F6V

DELOTA CORP.
(the "Company")

Statement of Executive Compensation – Venture Issuers

A - Compensation Discussion and Analysis

The following information, prepared in accordance with Form 51-102F6V - *Statement of Executive Compensation – Venture Issuers*, provides a discussion of all significant elements of the compensation to be awarded to, earned by, paid to, or payable to directors and Named Executive Officers (as defined below) of the Company, to the extent that it has been determined.

This document describes the Company's compensation scheme for each director of the Company, each person who acted as a Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") of the Company, and the next most highly compensated executive officer (or next most highly compensated individual acting in a similar capacity), other than the CEO and CFO, whose compensation was more than $150,000 during the financial year ended January 31, 2022 (each a "**Named Executive Officer**" or "**NEO**" and collectively the "**Named Executive Officers**" or "**NEOs**").

There were five (5) such NEOs during the financial year ended January 31, 2022: Cameron Wickham, (CEO, director, executive vice chair and corporate secretary); Ankit Gosain, (CFO); Christina Pan, (Chief Operating Officer); Mark Pelchovitz, (former CFO and corporate secretary of the Company, director, and executive chair), and Daniel Pelchovitz, (former CEO of the Company, director and CEO of the Company's cannabis division).

This document will address the Company's executive compensation philosophy and objectives and provide a review of the process the board of directors of the Company (the "**Board**") intends to undertake in deciding how to compensate directors and Named Executive Officers.

B - Oversight and Description of Director and NEO Compensation

The following compensation discussion and analysis is intended to provide information relating to the objectives and processes of the Company's director and executive compensation program and to discuss the decision-making process relating to compensation.

The Company does not have a formal compensation committee. Accordingly, responsibility for matters relating to the overall compensation philosophy and guidelines for the directors and Named Executive Officers of the Company lies with the Board as a whole.

The Board seeks to ensure that, at all times, its compensation arrangements adequately reflect the responsibilities and risks involved in being an effective director or Named Executive Officer of the Company.

Each Named Executive Officer is compensated pursuant to the terms of their employment agreement, where applicable with a base salary and bonus as the significant elements of such compensation. Bonuses are awarded based on objective milestones or at the discretion of the

Board. Other than Christina Pan, the decision to pay a bonus to the Named Executive Officers for the most recently completed financial year was purely discretional.

Christina Pan received 20% of her base salary as a bonus based on her completion of the following four performance metrics listed below along with the weight attached to each performance goal expressed in percentage:

- Integrated loyalty program - 25%
- Develop NPIs - 25%
- Management of leases - 30%
- Merchandising standards - 20%

No other Named Executive Officers received bonuses for the most recently completed financial year.

The Company does not currently use a peer group to determine compensation.

Subsequent to the financial year ended January 31, 2022, the Board passed a resolution amending the base salary payable to Cameron Wickham as CEO, Ankit Gosain as CFO, and Christina Pan as COO on January 30, 2023. These amendments are effective as of February 1, 2023. The Board also approved discretionary bonuses to be paid in April/May 2023 to some of the Company's Named Executive Officers.

For the financial year ended January 31, 2024, the Company plans to depart from the practice of granting discretionary bonuses and have management propose individual performance metrics with corresponding total potential bonus to be approved by the Board upon review.

Other than as stated below, no compensation was paid to any director or Named Executive Officer in the financial year ended January 31, 2022.

Summary of Compensation of Directors and Named Executive Officers

The following table sets forth, for the years ended January 31, 2022, and January 31, 2021, information concerning the total compensation paid to directors and Named Executive Officers.

Name and position	Year	Salary, consulting fee, retainer, or commission ($)	Bonus ($)	Committee or meeting fees ($)	Value of perquisites ($)	Value of all other compensation ($)	Total compensation ($)
Cameron Wickham [(1)] Director, Executive Vice Chair, CEO, Corporate Secretary	2022 2021	127,967 N/A	Nil N/A	Nil N/A	Nil N/A	Nil N/A	127,967 [(2)] N/A
Ankit Gosain [(3)] CFO	2022 2021	97,857 N/A	Nil N/A	Nil N/A	Nil N/A	Nil N/A	97,857 [(4)] N/A
Christina Pan [(5)] COO	2022 2021	144,313 [(6)] N/A	34,000 [(7)] N/A	Nil N/A	Nil N/A	Nil N/A	178,313 N/A

Mark Pelchovitz [8] Director, Executive Chair, Former CFO, Former Corporate Secretary	2022 2021	49,000 40,000	Nil Nil	Nil Nil	Nil Nil	Nil Nil	49,000 40,000
Daniel Pelchovitz [9] Director, Former CEO	2022 2021	109,554 57,140	Nil Nil	Nil Nil	6,750 [10] Nil	Nil Nil	116,304 57,140
Steven Glaser [11] Director	2022 2021	9,000 8,500	Nil Nil	Nil Nil	Nil Nil	Nil Nil	9,000 8,500
Marc Askenasi [12] Director	2022 2021	9,000 Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	9,000 Nil

Notes:

1) Mr. Wickham was appointed as a director, CEO, and corporate secretary of the Company on May 7, 2021, and subsequently appointed as Executive Vice Chair on June 23, 2021. Mr. Wickham did not receive any compensation for his services as a director or corporate secretary of the Company.
2) Mr. Wickham was paid $127,967 for services he provided as CEO for the period of nine months (May 2021 – January 31, 2022).
3) Mr. Gosain was appointed as CFO of the Company on May 7, 2021.
4) Mr. Gosain was paid $97,857 for services he provided as CFO for the period of nine months (May 2021 – January 31, 2022).
5) Ms. Pan was appointed as Chief Operating Officer of the Company on May 21, 2021.
6) This includes compensation to Ms. Pan as COO of 2360149 Ontario Inc., an entity that was acquired by the Company on March 30, 2021, and for services she provided as COO from March 30, 2021 – January 31, 2022.
7) Ms. Pan was paid this bonus based on the completion of certain performance metrics as COO during the financial year ended January 31, 2022.
8) Mr. Pelchovitz was appointed as a director, CFO, and corporate secretary of the Company on May 31, 2019. Mr. Pelchovitz resigned as CFO and Corporate Secretary of the Company on May 7, 2021. Effective August 1, 2021, Mr. Pelchovitz was compensated $1,500 per month for his services as a director of the Company. Mr. Pelchovitz was appointed as Executive Chair on June 23, 2021.
9) Mr. Pelchovitz was appointed as a director and CEO of the Company on May 31, 2019. Mr. Pelchovitz resigned as CEO of the Company on May 7, 2021, however, continued to serve as the CEO of the Company's Cannabis Division. Mr. Pelchovitz did not receive any compensation for his services as a director of the Company.
10) This amount represents the aggregate amount for the car allowance received by Daniel Pelchovitz for the period of nine months (May 2021 – January 31, 2022).
11) Mr. Glaser was appointed as a director of the Company on May 31, 2019. Effective August 1, 2021, Mr. Glaser was compensated $1,500 per month for his services as a director of the Company.
12) Mr. Askenasi was elected as a director of the Company on July 12, 2021, at the Company's annual general and special meeting. Effective August 1, 2021, Mr. Askenasi was compensated $1,500 per month for his services as a director of the Company.

As the Company does not have a compensation committee, the Board of Directors has the responsibility to administer compensation policies related to director and executive management of the Company, including share-based and option-based awards.

Outstanding share-based awards and option-based awards

Except as disclosed in the table below, there were no incentive stock options granted or issued to the Company's directors or Named Executive Officers during the most recently completed financial year ended January 31, 2022, for services provided or to be provided, directly or indirectly, to the Company.

Compensation Securities							
Name and position	**Type of compensation security**	**Number of compensation securities, number of underlying securities, and percentage of class**	**Date of issue or grant**	**Issue, conversion, or exercise price ($)**	**Closing price of security or underlying security on date of grant ($)**	**Closing price of security or underlying security at year end ($)**	**Expiry date**

Cameron Wickham *CEO, Director, Executive Vice Chair and Corporate Secretary*	Options	160,000[(1)] 0.60%	May 21, 2021	0.50	0.40	0.29	May 21, 2025
Ankit Gosain *CFO*	Options	130,000[(2)] 0.48%	May 21, 2021	0.50	0.40	0.29	May 21, 2025
Christina Pan *COO*	Options	160,000[(3)] 0.60%	May 21, 2021	0.50	0.40	0.29	May 21, 2025

Notes:

1) Options vested immediately on the date of the grant.
2) Options vested immediately on the date of the grant.
3) Options vested immediately on the date of the grant.
4) As of January 31, 2022, Cameron Wickham had 160,000 Options, Ankit Gosain had 130,000 Options, Christina Pan had 160,000 Options, Daniel Pelchovitz had 20,000 Options, Mark Pelchovitz had 20,000 Options, Steven Glaser had 40,000 Options and Marc Askenasi had no Options. Each Option is exercisable into one common share in the capital of the Company.

There were no incentive stock options exercised by any directors or Named Executive Officers during the most recently completed financial year ended January 31, 2022.

C - Incentive Plans

The Company has an omnibus plan (the "**Omnibus Plan**"), which was last approved by the shareholders of the Company on July 12, 2021, and is required to be approved at the Company's next annual general meeting of shareholders. All directors, officers, employees, and consultants may participate in the Company's Omnibus Plan.

The purpose of the Omnibus Plan is to advance the interests of the Company through the motivation, attraction and retention of key employees, consultants and directors of the Company and designated affiliates of the Company and to secure for the Company and the shareholders of the Company the benefits inherent in the ownership of Common Shares (as defined in the Omnibus Plan) by key employees, consultants and directors of the Company and the designated affiliates of the Company through the granting of non-transferable options to purchase Common Shares (the "**Options**") and restricted share units ("**RSUs**", together, the "**Awards**") to eligible participants under the Omnibus Plan. The Omnibus Plan is currently administered by the Board. Pursuant to the Omnibus Plan, the Board may delegate the administration of the Omnibus Plan to a committee (the "**Committee**") of the directors of the Company authorized to carry out such administration and, failing a committee being so designated, the Omnibus Plan is to be administered by the Board.

An Option is an option granted by the Company to a participant entitling such participant to acquire a designated number of Common Shares from treasury at the exercise price. The Company is obligated to issue and deliver the designated number of Common Shares on the exercise of an Option and shall have no independent discretion to settle an Option in cash or other property other than Common Shares issued from treasury.

An RSU is an Award that is a bonus for services rendered in the year of grant, that, upon settlement, entitles the recipient participant to receive a cash payment equal to the closing price of the Common Shares on the TSXV (as defined in the Omnibus Plan) on the last trading date prior to the applicable vesting date or, at the sole discretion of the Committee, a Common Share, and subject to such restrictions and conditions on vesting as the Committee may determine at the time of grant, unless such RSU expires prior to being settled.

Subject to the provisions of the Omnibus Plan, the Committee has the authority to select those persons to whom Awards will be granted. In respect of a grant of Options, eligible participants under the Omnibus Plan include the directors, officers, and employees (including both full-time and part-time employees) of the Company or of any designated affiliate of the Company and any person or company engaged to provide ongoing management, advisory or consulting services for the Company or a designated affiliate of the Company or any employee of such person or company. In respect of a grant of RSUs, eligible participants under the Omnibus Plan include the directors, officers and employees (including both full-time and part-time employees) of the Company or of any designated affiliate of the Company and any person or company engaged to provide ongoing management, advisory or consulting services for the Company or a designated affiliate of the Company or any employee of such person or company, other than any persons retained to provide Investor Relations Activities (as such terms are defined in the policies of the TSXV).

The aggregate number of Common Shares reserved for issue under the Omnibus Plan may not exceed ten percent (10%) of the Common Shares outstanding from time to time. The Omnibus Plan is a "rolling" maximum share Omnibus Plan, and any increase or reduction in the number of outstanding Common Shares will result in an increase or reduction, respectively, in the number of Common Shares that are available to be issued under the Omnibus Plan. 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.

The exercise price of any Option may not be less than the closing price of the Common Shares on the principal stock exchange on which the Common Shares are listed on the last trading day immediately preceding the date of grant of the Option less the maximum discount, if any, permitted by such stock exchange and, if the Common Shares are not then listed on any stock exchange, the exercise price may not be less than the fair market value of the Common Shares as may be determined by the Committee on the day immediately preceding the day of the grant of such Option.

Except as otherwise provided in the Omnibus Plan or in any employment contract, each Option may be exercised during the term of the Option only in accordance with the vesting schedule, if any, determined by the Committee at the time of the grant of the Option, which vesting schedule may include performance vesting or acceleration of vesting in certain circumstances and which may be amended or changed by the Committee from time to time with respect to a particular Option, subject to applicable regulatory requirements. If the Committee does not determine a vesting schedule at the time of the grant of any particular Option, such Option will be exercisable in whole at any time, or in part from time to time, during the term of the Option.

The Committee shall have sole discretion to determine if any vesting conditions with respect to an RSU, including any performance criteria or other vesting conditions contained in the applicable restricted share unit agreement, have been met or waive the vesting conditions applicable to RSUs

(or deem them to be satisfied), and shall communicate to a participant, as soon as reasonably practicable, the date on which all such applicable vesting conditions in respect of a grant of RSUs have been satisfied and the RSUs have vested.

Subject to the vesting and other conditions and provisions in the Omnibus Plan and in the applicable restricted share unit agreement, each RSU awarded to a participant shall entitle the participant to receive, on settlement, a cash payment equal to the closing price of the Common Shares on the TSXV on the last trading date prior to the vesting date, or, at the discretion of the Committee, one Common Share or any combination of cash and Common Shares as the Committee in its sole discretion may determine, in each case less any applicable withholding taxes. The Company (or the applicable designated affiliate) may, in its sole discretion, elect to settle all or any portion of the cash payment obligation by the delivery of Common Shares issued from treasury or acquired by a designated broker in the open market on behalf of the participant. Subject to the terms and conditions in the Omnibus Plan, vested RSUs shall be redeemed by the Company (or the designated affiliate) as described above on the 15th day following the vesting date. Notwithstanding any other provisions in the Omnibus Plan, no payment, whether in cash or in Common Shares, shall be made in respect of the settlement of any RSUs later than December 15th of the third calendar year following the end of the calendar year in respect of which such RSU is granted.

D - Retirement and Pension Plans

The Company has no formal pension, retirement compensation or other long term incentive plans in place for its directors, officers, or employees.

E - Employment Agreements

As of January 31, 2022, the Company has not entered into any employment, consulting, or management agreements with any of the Company's NEOs or Directors other than as follows:

Cameron Wickham (Director, Executive Vice Chair, Chief Executive Officer, Corporate Secretary)

Mr. Wickham was appointed as a director, CEO, and corporate secretary of the Company on May 7, 2021.

Pursuant to an employment agreement entered into with Mr. Wickham, Mr. Wickham serves as CEO of the Company with an annual base salary of $170,000 per annum. Furthermore, Mr. Wickham is eligible to earn a performance bonus at such times as approved by the Board.

Mr. Wickham's employment agreement may be terminated by the Company without notice or payment in lieu of notice for just cause. Mr. Wickham may terminate his employment for any reason by providing at least one months' notice in writing. If the Company elects to terminate the employment of Mr. Wickham without cause, and provided Mr. Wickham is in compliance with the relevant terms and conditions of his employment agreement, the Company shall be obligated to pay Mr. Wickham twelve months of his base salary plus any earned bonus and accrued and unpaid expenses and fees.

If (i) there has been a change of control of the Company, and (ii) the involuntary termination of

the employment of Mr. Wickham has occurred within twelve months of the date of the change of control, the Company shall pay Mr. Wickham, in a lump sum, an amount equal to eighteen months of his base salary and benefits plus any earned bonus and accrued and unpaid expenses and fees.

Furthermore, Mr. Wickham is indemnified by the Company to the fullest extent permitted by law and the employment agreement contains typical non-competition and confidentiality provisions that are typical for an executive officer.

Mr. Wickham is not compensated as a director or as corporate secretary of the Company.

Ankit Gosain (Chief Financial Officer)

Mr. Gosain was appointed as CFO of the Company on May 7, 2021.

Pursuant to an employment agreement entered into with Mr. Gosain, Mr. Gosain serves as CFO of the Company with an annual base salary of $130,000 per annum. Furthermore, Mr. Gosain is eligible to earn a performance bonus at such times as approved by the Board.

Mr. Gosain's employment agreement may be terminated by the Company without notice or payment in lieu of notice for just cause. Mr. Gosain may terminate his employment for any reason by providing at least one months' notice in writing. If the Company elects to terminate the employment of Mr. Gosain without cause, and provided Mr. Gosain is in compliance with the relevant terms and conditions of his employment agreement, the Company shall be obligated to pay Mr. Gosain twelve months of his base salary plus any earned bonus and accrued and unpaid expenses and fees.

If (i) there has been a change of control of the Company, and (ii) the involuntary termination of the employment of Mr. Gosain has occurred within twelve months of the date of the change of control, the Company shall pay Mr. Gosain, in a lump sum, an amount equal to eighteen months of his base salary and benefits plus any earned bonus and accrued and unpaid expenses and fees.

Furthermore, Mr. Gosain is indemnified by the Company to the fullest extent permitted by law and the employment agreement contains typical non-competition and confidentiality provisions that are typical for an executive officer.

Christina Pan (Chief Operating Officer)

Ms. Pan was appointed as Chief Operating Officer of the Company on May 21, 2021.

Pursuant to an employment agreement entered into with Ms. Pan, Ms. Pan serves as Chief Operating Officer with an annual base salary of $170,000 per annum. Furthermore, Ms. Pan is eligible to earn a performance bonus at such times as approved by the Board.

Ms. Pan's employment agreement may be terminated by the Company without notice or payment in lieu of notice for just cause. Ms. Pan may terminate her employment for any reason by providing at least one months' notice in writing. If the Company elects to terminate the employment of Ms. Pan without cause, and provided Ms. Pan is in compliance with the relevant terms and conditions of her employment agreement, the Company shall be obligated to pay Ms. Pan twelve months of

her base salary plus any earned bonus and accrued and unpaid expenses and fees.

If (i) there has been a change of control of the Company, and (ii) the involuntary termination of the employment of Ms. Pan has occurred within twelve months of the date of the change of control, the Company shall pay Ms. Pan, in a lump sum, an amount equal to eighteen months of her base salary and benefits plus any earned bonus and accrued and unpaid expenses and fees.

Furthermore, Ms. Pan is indemnified by the Company to the fullest extent permitted by law and the employment agreement contains typical non-competition and confidentiality provisions that are typical for an executive officer.

Daniel Pelchovitz (Director, CEO of the Company's Cannabis Division)

Mr. Pelchovitz was appointed as a director and CEO of the Company on May 31, 2019. Mr. Pelchovitz resigned as CEO of the Company on May 7, 2021, however, continued to serve as CEO of the Company's Cannabis Division.

Pursuant to an employment agreement entered into with Mr. Pelchovitz, Mr. Pelchovitz serves as Chief Executive Officer of the Company's Cannabis Division with an annual base salary of $120,000 per annum. Furthermore, Mr. Pelchovitz is eligible to earn a performance bonus at such times as approved by the Board.

Mr. Pelchovitz's employment agreement may be terminated by the Company without notice or payment in lieu of notice for just cause. Mr. Pelchovitz may terminate his employment for any reason by providing at least one months' notice in writing. If the Company elects to terminate the employment of Mr. Pelchovitz without cause, and provided Mr. Pelchovitz is in compliance with the relevant terms and conditions of his employment agreement, the Company shall be obligated to pay Mr. Pelchovitz twelve months of his base salary plus any earned bonus and accrued and unpaid expenses and fees.

If (i) there has been a change of control of the Company, and (ii) the involuntary termination of the employment of Mr. Pelchovitz has occurred within twelve months of the date of the change of control, the Company shall pay Mr. Pelchovitz, in a lump sum, an amount equal to eighteen months of his base salary and benefits plus any earned bonus and accrued and unpaid expenses and fees.

Furthermore, Mr. Pelchovitz is indemnified by the Company to the fullest extent permitted by law and the employment agreement contains typical non-competition and confidentiality provisions that are typical for an executive officer.

Mr. Pelchovitz is not compensated as a director of the Company.

The Company does not pay any fees or salaries to its officers or directors, except as disclosed in this form.

F - Compensation of Directors

Except as disclosed in the tables under Section B above, the Company did not compensate directors in the financial year ended January 31, 2022. Any director who held the position of an officer and

received compensation was paid solely in their capacity as an officer and that compensation is set forth in the table above.

G - Securities Authorized for Issuance Under Equity Compensation Plans

The Company has an Omnibus Plan and there were 735,000 Options outstanding as of January 31, 2022.

Schedule "J" – Form 2A, Other Material Facts

(See attached)

24. Other Material Facts

There are no other material facts that are not elsewhere disclosed herein which are necessary in order for this document to contain full, true, and plain disclosure of all material facts relating to the Company and its securities.

Schedule “K” – Form 2A, Financial Statements

(See attached)

25. Financial Statements

The financial statements of the Company as at and for the nine months ended October 31, 2022, and for the years ended January 31, 2022, January 31, 2021, and January 31, 2020, are attached hereto as Appendix “A”.

The MD&A of the Company as at and for the nine months ended October 31, 2022, and for the years ended January 31, 2022, January 31, 2021, and January 31, 2020, are attached hereto as Appendix “B”.

APPENDIX "A"

DELOTA CORP.'S FINANCIAL STATEMENTS

(As at and for the nine months ended October 31, 2022, and for the years ended January 31, 2022, January 31, 2021, and January 31, 2020)

[See attached.]

Delota Corp.

(Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

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Delota Corp.

(Formerly, Spyder Cannabis Inc.)

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.

December 30, 2022

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Statements of Financial Position
As at October 31, 2022 and January 31, 2022
(Unaudited - Expressed in Canadian Dollars)

	October 31, 2022	January 31, 2022
	$	$
ASSETS		
Current		
Cash	**1,012,752**	1,010,354
Accounts receivable	**1,453,658**	831,075
Inventory *(Note 5)*	**1,856,093**	1,465,226
Prepaid expenses	**283,749**	195,783
Total current assets	**4,606,252**	3,502,438
Non-current assets		
Intangible assets *(Note 6)*	**375,235**	420,429
Property and equipment *(Note 7)*	**1,110,336**	1,034,785
Right-of-use assets *(Note 8)*	**4,610,002**	5,037,964
Intangible assets - trade name *(Note 6)*	**3,228,944**	3,409,444
Total non-current assets	**9,324,517**	9,902,622
Total assets	**13,930,769**	13,405,060
LIABILITIES AND EQUITY		
Current		
Trade and other payables	**2,848,856**	2,077,166
Sales tax payable	**658,676**	448,109
Lease liabilities - current *(Note 10)*	**877,936**	590,260
Contract liability - current *(Note 11)*	**124,507**	109,241
Loans payable *(Note 12)*	**844,114**	749,377
Promissory note *(Note 13)*	**-**	11,129,171
Total current liabilities	**5,354,089**	15,103,324
Non-current liabilities		
Lease liabilities *(Note 10)*	**4,903,796**	5,489,856
Contract liability *(Note 11)*	**285,535**	264,566
Government loan *(Note 14)*	**173,629**	158,933
Deferred tax liability	**855,670**	903,503
Total non-current liabilities	**6,218,630**	6,816,858
Total liabilities	**11,572,719**	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	**(5,621,853)**	(13,495,025)
Total shareholders' equity (deficiency)	**2,358,050**	(8,515,122)
Total liabilities and shareholders' equity (deficiency)	**13,930,769**	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 Income (Loss)
For the Three and Nine Months Ended October 31, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	**Nine Months Ended October 31, 2022**	Nine Months Ended October 31, 2021
	$	$	**$**	$
Revenue	**6,758,167**	5,351,308	**19,025,012**	12,107,663
Cost of goods sold	**3,420,387**	2,957,731	**9,850,587**	6,842,340
Gross profit	**3,337,780**	2,393,577	**9,174,425**	5,265,323
Expenses				
General and administrative expenses	**3,139,954**	2,670,724	**8,743,465**	6,397,131
Finance charges *(Note 20)*	**213,289**	228,144	**668,622**	580,117
Total expenses	**3,353,243**	2,898,868	**9,412,087**	6,977,248
Loss before other income (expenses)	**(15,463)**	(505,291)	**(237,662)**	(1,711,925)
Other income	**55,226**	53,637	**114,330**	241,525
Amortization of intangible assets - trade name *(Note 6)*	**(60,167)**	-	**(180,500)**	-
Gain on acquisition *(Note 13)*	**-**	-	**8,129,171**	-
Profit (loss) before income taxes recovery	**(20,404)**	(451,654)	**7,825,339**	(1,470,400)
Deferred tax recovery	**15,945**	-	**47,833**	-
Net income (loss) and comprehensive income (loss)	**(4,459)**	(451,654)	**7,873,172**	(1,470,400)
Net income (loss) per share - basic	**(0.00)**	(0.03)	**0.32**	(0.11)
Net income (loss) per share - diluted	**(0.00)**	(0.03)	**0.28**	(0.11)
Weighted average number of shares outstanding - basic	**26,809,615**	14,809,614	**24,294,909**	13,695,315
Weighted average number of shares outstanding - diluted	**26,809,615**	14,809,614	**27,992,865**	13,695,315

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 Nine Months Ended October 31, 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
Common shares issued on exercise of stock options *(Note 16, 17)*	297,000	(197,000)	-	-	100,000
Issuance of options *(Note 17)*	-	108,522	-	-	108,522
Net loss for the period	-	-	-	(1,470,400)	(1,470,400)
Balance, October 31, 2021	**4,528,481**	**279,883**	**99,398**	**(6,120,455)**	**(1,212,693)**
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 profit for the period	-	-	-	7,873,172	7,873,172
Balance, October 31, 2022	**7,528,481**	**352,024**	**99,398**	**(5,621,853)**	**2,358,050**

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

Delota Corp. (Formerly, Spyder Cannabis Inc.)

Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended October 31, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

	2022	2021
	$	$
Cash was provided by (used) in the following activities:		
Operating activities		
Net income (loss) for the period	**7,873,172**	(1,470,400)
Items not requiring an outlay of cash:		
Accretion	**14,696**	14,713
Deferred tax recovery	**(47,833)**	-
Depreciation	**191,265**	170,473
Depreciation of right-of-use assets	**870,961**	688,401
Amortization of intangible assets - trade name	**180,500**	-
Amortization	**45,194**	35,592
Stock-based compensation	**-**	108,522
Interest on lease liabilities	**544,905**	475,372
Impairment of right-of-use assets	**-**	43,392
Gain on acquisition of 276 Ontario	**(8,129,171)**	-
Foreign exchange loss	**35,750**	-
Change in non-cash working capital:		
Sales tax payable	**210,567**	267,149
Accounts receivable	**(622,583)**	(346,328)
Inventory	**(390,867)**	(58,674)
Prepaid expenses	**(87,966)**	25,365
Contract liability	**36,235**	70,381
Trade and other payables	**771,690**	169,658
Cash flows provided by operating activities	**1,496,515**	193,616
Financing activities		
Loans payable, net	**58,988**	226,495
Proceeds from private placement	**-**	960,885
Proceeds from exercise of stock options	**-**	117,550
Lease payments	**(1,286,288)**	(990,340)
Cash flows provided by (used in) financing activities	**(1,227,300)**	314,590
Investing activities		
Additions to property and equipment, net	**(266,817)**	(28,482)
Proceeds from dispostion of property and equipment	**-**	12,623
Cash flows used in investing activities	**(266,817)**	(15,859)
Increase in cash during the period	**2,398**	492,347
Cash, beginning of period	**1,010,354**	298,256
Cash, end of period	**1,012,752**	790,603

Non-cash transactions

Acquisition of 180 Smoke *(Note 9)*
Common shares issued for the acquisition of 276 Ontario *(Note 13, 16)*
Common shares issued for settlement of debt *(Note 16)*
Issuance of stock options *(Note 17)*

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

1. Nature of Operations and Going Concern

Delota Corp. (formerly, Spyder Cannabis Inc.) ("Delota" or the "Company") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on February 20, 2014. 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 nine months ended October 31, 2022, the Company had net income of $7,873,172 (October 31, 2021 – net loss of $1,470,400), had an accumulated deficit of $5,621,853 (January 31, 2022 – $13,495,025) and had a working capital deficiency of $747,837 (January 31, 2022 – $11,600,886) as at October 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 October 31, 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 December 30, 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.

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.; 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.

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.

New Accounting Pronouncements

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that the '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. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Amendments to IFRS 9: Financial Instruments

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is currently evaluating the potential impact of these amendments on the Company's 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:

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.

4. Use of Judgements and Estimates (continued)

Contingencies

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

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.

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.

4. Use of Judgements and Estimates (continued)

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.

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.

4. Use of Judgements and Estimates (continued)

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

	October 31, 2022	January 31, 2022
	$	$
Raw materials	**233,013**	144,230
Work-in-progress	**-**	5,586
Finished goods	**1,623,080**	1,315,410
Total inventory balance at the lower of cost and net realizable value	**1,856,093**	1,465,226

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 nine months ended October 31, 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 October 31, 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	45,194	180,500
As at October 31, 2022	**96,016**	**381,056**
Carrying amount:		
As at January 31, 2021	-	-
As at January 31, 2022	420,429	3,409,444
As at October 31, 2022	**375,235**	**3,228,944**

During the three and nine months ended October 31, 2022, the Company recorded amortization expense related to the website and ERP in the amount of $15,230 and $45,194, respectively, (October 31, 2021 – $15,230 and $35,592, respectively) and the trade name in the amount of $60,167 and $180,500, respectively, (October 31, 2021 – $nil).

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	-	-	252,574	9,136	266,816
Disposals	-	-	-	-	-	-
As at October 31, 2022	**391,342**	**34,226**	**49,804**	**1,181,494**	**52,606**	**1,709,472**
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	34,742	4,269	4,312	144,862	3,080	191,265
Disposals	-	-	-	-	-	-
As at October 31, 2022	**109,675**	**9,518**	**34,088**	**402,190**	**43,665**	**599,136**
Net book value ($)						
As at January 31, 2022	**311,303**	**28,977**	**20,028**	**671,592**	**2,885**	**1,034,785**
As at October 31, 2022	**281,667**	**24,708**	**15,716**	**779,304**	**8,941**	**1,110,336**

During the three and nine months ended October 31, 2022, the Company recorded depreciation expense related to property and equipment in the amount of $75,499 and $191,265, respectively, (October 31, 2021 – $74,999 and $170,473, respectively).

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 9)*	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	442,999
Disposals during the period	-
Depreciation during the period	(870,961)
Balance, October 31, 2022	**4,610,002**

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.

	$
Consideration paid	
Cash consideration	**1**
Promissory note	**11,129,171**
Total consideration paid	**11,129,172**
Purchase Price Allocation	
Assets acquired	
Cash and cash equivalents	**288,546**
Accounts receivable	**368,727**
Prepaid expenses and deposits	**176,143**
Inventory	**1,279,735**
Property, plant and equipment	**955,131**
Intangible assets	**463,096**
Right-of-use assets	**5,201,946**
Total assets	**8,733,324**
Liabilities assumed	
Accounts payable and accrued liabilities	**1,026,407**
Income taxes payable	**5,767**
Contract liability	**261,302**
Lease liabilities	**5,883,989**
Total liabilities	**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 allocated to 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.

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 October 31, 2022:

	$
Balance, January 31, 2021	**609,875**
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)
Balance, January 31, 2022	**6,080,116**
Additions during the period	442,999
Interest expense	544,905
Lease payments	(1,286,288)
Balance, October 31, 2022	**5,781,732**

Summary:

	October 31, 2022 $	January 31, 2022 $
Current portion of lease liabilities	877,936	590,260
Non-current lease liabilities	4,903,796	5,489,856
Balance, October 31, 2022	**5,781,732**	**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 October 31, 2022 are as follows:

One year	$ 1,579,793
Between two to five years	$ 4,604,066
More than five years	$ 948,105

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 $467,882 and recognized performance obligations in the amount of $319,142. As at October 31, 2022, this contract liability amounted to $410,042 (January 31, 2022 – $373,807). The current portion of this contract liability amounted to $124,507 (January 31, 2022 – $109,241) and the long-term portion of this contract liability amounted to $285,535 (January 31, 2022 – $264,566).

12. Loans Payable

Loans payable are comprised of the following:

	October 31, 2022	January 31, 2022
	$	$
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	**14,496**	23,227
Loans payable, interest bearing at rates between 12% - 24% per annum, interest only payments, monthly, secured and due on demand.	**829,618**	726,150
Balance, October 31, 2022 and January 31, 2022	**844,114**	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 nine months ended October 31, 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.

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 and nine months ended October 31, 2022 amounted to $5,098 and $14,696, respectively, (October 31, 2021 – $5,104 and $14,713, respectively). As at October 31, 2022, the fair value of the CEBA Loan amounted to $173,629 (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 and nine months ended October 31, 2022, the Company has received $nil (October 31, 2021 – $nil and $111,016, respectively) 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 acquisition of 276 Ontario	12,000,001	3,000,000
Balance, October 31, 2022	**26,809,615**	**7,528,481**

16. Share Capital (continued)

During the nine months ended October 31, 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 October 31, 2022 and January 31, 2022, there were no preferred shares issued and outstanding.

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 October 31, 2022 and January 31, 2022 are as follows:

	October 31, 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	2.09	735,000	0.50	3.08
Exercisable, end of the period	**735,000**	**0.50**	**2.09**	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

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 and nine months ended October 31, 2022, the Company expensed $nil (October 31, 2021 – $nil and $108,522, respectively) 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 October 31, 2022 and January 31, 2022 are as follows:

	October 31, 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	0.30
Expired	-	-	-	(198,467)	1.50	-
Granted (expired)	-	-	-	2,962,956	0.68	2.00
Balance, end of the period	2,962,956	0.68	0.42	2,962,956	0.68	1.50
Exercisable, end of the period	**2,962,956**	**0.68**	**0.42**	2,962,956	0.68	1.50

The Company did not issue any common share purchase warrants during the nine months ended October 31, 2022.

During the nine months ended October 31, 2021, the Company issued 2,962,956 common share purchase warrants as disclosed in Note 16.

19. General and Administrative Expenses

General and administrative expenses for the three and nine months ended October 31, 2022 and 2021 are comprised of the following:

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	**Nine Months Ended October 31, 2022**	Nine Months Ended October 31, 2021
	$	$	**$**	$
Salaries and wages	**1,512,922**	1,220,951	**4,323,637**	3,025,894
Stock-based compensation	**-**	-	**-**	108,522
Rent and utilities	**247,004**	234,858	**770,440**	536,703
Delivery	**157,816**	153,830	**428,942**	388,044
Office and general	**518,785**	286,466	**1,467,590**	758,576
Professional fees	**114,329**	235,119	**209,660**	345,634
Advertising and promotion	**139,511**	97,042	**224,523**	201,038
Repairs and maintenance	**41,160**	61,633	**175,503**	87,881
Foreign exchange loss (gain)	**26,900**	(2,100)	**35,750**	6,981
Impairment of right-of-use assets	**-**	-	**-**	43,392
Depreciation	**75,499**	74,999	**191,265**	170,473
Depreciation of right-of-use assets	**290,798**	292,696	**870,961**	688,401
Amortization	**15,230**	15,230	**45,194**	35,592
	3,139,954	2,670,724	**8,743,465**	6,397,131

20. Finance Charges

Finance charges for the three and nine months ended October 31, 2022 and 2021 are comprised of the following:

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	**Nine Months Ended October 31, 2022**	Nine Months Ended October 31, 2021
	$	$	**$**	$
Interest on loans payable	**35,603**	27,448	**109,021**	90,032
Interest on lease liabilities	**172,588**	195,592	**544,905**	475,372
Accretion	**5,098**	5,104	**14,696**	14,713
	213,289	228,144	**668,622**	580,117

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.

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 October 31, 2022, the Company's shareholders' equity amounted to $2,358,050 (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 $5,621,853 as at October 31, 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, polices and processes have remained unchanged during the nine months ended October 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.

22. Financial Management and Risk Assessment (continued)

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgement to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts to which the Company could realize on such financial instruments in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans, borrowings and deposits.

Credit risk

The Company is exposed to credit risk on its cash balance which is held with reputable financial institutions. As at October 31, 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 October 31, 2022 and January 31, 2022 are as follows:

	1 year	**2 to 5 years**	**>5 years**	**Total**
October 31, 2022	**$**	**$**	**$**	**$**
Trade and other payables	2,848,856	-	-	2,848,856
Lease liabillities	1,579,793	4,604,066	948,105	7,131,964
Loans payable	844,114	-	-	844,114
	5,272,763	**4,604,066**	**948,105**	**10,824,934**

22. Financial Management and Risk Assessment (continued)

January 31, 2022	**1 year** **$**	**2 to 5 years** **$**	**>5 years** **$**	**Total** **$**
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 October 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.

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 and nine months ended October 31, 2022 and 2021 is as follows:

	Three Months Ended October 31, 2022 **$**	Three Months Ended October 31, 2021 $	**Nine Months Ended October 31, 2022** **$**	Nine Months Ended October 31, 2021 $
Salaries and other short-term employee benefits	**153,250**	156,225	**462,993**	327,429
Share-based compensation expense	**-**	-	**-**	94,825
Car allowance paid to director	**4,950**	13,500	**9,450**	13,500
Director fees	**13,500**	-	**40,500**	-
	171,700	169,725	**512,943**	435,754

During the nine months ended October 31, 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) $54,000 of director fees payable to Steven Glaser, Marc Askenasi and Mark Pelchovitz.

23. Related Party Transactions (continued)

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.

On July 29, 2022, an outstanding secured loan in the principal amount of $200,000, between the Company and an independent third party was assigned to a corporation controlled by the Chief Executive Officer of the Company, Cameron Wickham (the "Related Loan"). This amount has been reflected in loans payable. This loan is secured, bears interest at a nominal rate of 21.70% per annum, and due on demand. During the three and nine months ended October 31, 2022, interest on the Related Loan amounted to $10,939 and $11,177, respectively (October 31, 2021 – $nil).

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 income (loss) and comprehensive income (loss).

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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Stern & Lovrics LLP
Chartered Professional Accountants

Samuel V. Stern, BA, CPA, CA
George G. Lovrics, BComm, CPA, CA

Nazli Dewji, BA, CPA, CMA

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

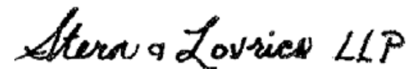
estimates and related disclosures made by management.

- 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
	$	$
ASSETS		
Current		
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
Non-current assets		
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
LIABILITIES AND EQUITY		
Current		
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
Non-current liabilities		
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
SHAREHOLDERS' DEFICIENCY		
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
	$	$
Revenue	**17,685,848**	1,276,124
Cost of goods sold	**9,872,553**	891,158
Gross profit	**7,813,295**	384,966
Expenses		
General and administrative expenses *(Note 19)*	**9,084,174**	1,313,038
Finance charges *(Note 20)*	**812,124**	193,992
Total expenses	**9,896,298**	1,507,030
Loss before other income (expenses)	**(2,083,003)**	(1,122,064)
Government assistance *(Note 14, 15)*	**171,174**	142,486
Other income	**203,470**	-
Forgiveness of lease liability *(Note 10)*	**261,908**	-
Impairment expense *(Note 7, 8)*	**(331,147)**	(330,040)
Amortization of intangible assets - trade name *(Note 6)*	**(200,556)**	-
Impairment of goodwill *(Note 9)*	**(6,919,963)**	-
Loss before income taxes (recovery)	**(8,898,117)**	(1,309,618)
Deferred tax recovery *(Note 24)*	**53,147**	-
Net loss and comprehensive loss	**(8,844,970)**	(1,309,618)
Loss per share - basic and diluted	**(0.65)**	(0.15)
Weighted average number of shares outstanding - basic and diluted	**13,695,315**	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
	$	$	$	$	$
Balance, January 31, 2020	**2,736,176**	**392,631**	**99,398**	**(3,340,437)**	**(112,232)**
Common shares issued on conversion of accounts payables *(Note 16)*	43,600	-	-	-	43,600
Common shares issued for conversion of debt *(Note 16)*	150,000	-	-	-	150,000
Net loss for the year	-	-	-	(1,309,618)	(1,309,618)
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
Common shares issued on exercise of stock options *(Note 16, 17)*	297,000	(197,000)	-	-	100,000
Issuance of stock options *(Note 17)*	-	180,663	-	-	180,663
Net loss for the year	-	-	-	(8,844,970)	(8,844,970)
Balance, January 31, 2022	**4,528,481**	**352,024**	**99,398**	**(13,495,025)**	**(8,515,122)**

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:		
Operating activities		
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**	-
Change in non-cash working capital:		
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
Cash flows provided by (used in) operating activities	**965,525**	(316,259)
Financing activities		
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**	-
Cash flows provided by (used in) financing activities	**(167,856)**	720,177
Investing activities		
Purchase of property and equipment	**(98,194)**	(233,642)
Proceeds from dispostion of property and equipment	**12,623**	-
Cash flows used in investing activities	**(85,571)**	(233,642)
Increase in cash during the year	**712,098**	170,276
Cash, beginning of year	**298,256**	127,980
Cash, end of year	**1,010,354**	298,256
Non-cash transactions		
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.

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.

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.

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.

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:

Asset	Method	Rate
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.

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.

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.

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.

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.

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 assts held at FVPTL 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

The Company has made the following classifications:

Financial instrument	Classification
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.

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.

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.

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.

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
Total inventory balance at the lower of cost and net realizable value	**1,465,226**	171,300

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 $
As at January 31, 2021	**-**	**-**
Additions	471,251	3,610,000
As at January 31, 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**
Carrying amount:		
As at January 31, 2021	-	-
As at January 31, 2022	**420,429**	**3,409,444**

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 $
Cost						
As at January 31, 2020	**81,565**	**-**	**22,289**	**299,763**	**85,579**	**489,196**
Additions	52,374	-	10,174	168,148	2,946	233,642
Disposals	(42,442)	-	(2,381)	(241,161)	(7,880)	(293,864)
As at January 31, 2021	**91,497**	**-**	**30,082**	**226,750**	**80,645**	**428,974**
Additions	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**
Accumulated depreciation						
As at January 31, 2020	**31,598**	**-**	**16,090**	**114,371**	**62,444**	**224,503**
Depreciation	23,868	-	5,122	73,838	10,147	112,975
Disposals	(20,841)	-	(2,381)	(96,555)	(7,880)	(127,657)
As at January 31, 2021	**34,625**	**-**	**18,831**	**91,654**	**64,711**	**209,821**
Depreciation	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**
Net book value ($)						
As at January 31, 2021	**56,872**	**-**	**11,251**	**135,096**	**15,934**	**219,153**
As at January 31, 2022	**311,303**	**28,977**	**20,028**	**671,592**	**2,885**	**1,034,785**

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:

	$
Balance, January 31, 2020	**653,813**
Disposals during the year	(54,700)
Depreciation during the year	(129,137)
Balance, January 31, 2021	**469,976**
Acquisition of 180 Smoke *(Note 9)*	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**

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.

9. Acquisition of 180 Smoke (continued)

	$
Consideration paid	
Cash consideration	**1**
Promissory note	**11,129,171**
Total consideration paid	**11,129,172**
Purchase Price Allocation	
Assets acquired	
Cash and cash equivalents	**288,546**
Accounts receivable	**368,727**
Prepaid expenses and deposits	**176,143**
Inventory	**1,279,735**
Property, plant and equipment	**955,131**
Intangible assets	**463,096**
Right-of-use assets	**5,201,946**
Total assets	**8,733,324**
Liabilities assumed	
Accounts payable and accrued liabilities	**1,026,407**
Income taxes payable	**5,767**
Contract liability	**261,302**
Lease liabilities	**5,883,989**
Total liabilities	**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 (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%.

10. Lease Liabilities (continued)

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

	$
Balance, January 31, 2020	**715,662**
Additions (disposals) during the year	(54,698)
Interest expense	76,566
Lease payments	(127,655)
Balance, January 31, 2021	**609,875**
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)
Balance, January 31, 2022	**6,080,116**

Summary:

	2022	2021
	$	$
Current portion of lease liabilities	**590,260**	57,569
Non-current lease liabilities	**5,489,856**	552,306
Balance, January 31, 2022	**6,080,116**	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.

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)
Balance, January 31, 2022 and January 31, 2021	**-**	20,147

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.

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.

	#	$
Balance, January 31, 2020	**8,643,825**	**2,736,176**
Common shares issued for the conversion of debt	600,000	150,000
Common shares issued for the conversion of accounts payable	174,400	43,600
Balance, January 31, 2021	**9,418,225**	**2,929,776**
Common shares issued for the exercise of options	35,100	41,820
Common shares issued for the settlement of debt	1,993,333	299,000
Common shares issued for private placement	2,962,956	960,885
Common shares issued for the exercise of options	400,000	297,000
Balance, January 31, 2022	**14,809,614**	**4,528,481**

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.

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 yea	**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

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 yea	198,467	1.50	0.30	275,966	0.50	0.83
Expired	(198,467)	1.50	-	-	-	-
Granted (expired)	2,962,956	0.68	2.00	(77,499)	0.50	1.30
Balance, end of the year	2,962,956	0.68	1.50	198,467	1.50	0.30
Exercisable, end of the year	**2,962,956**	**0.68**	**1.50**	198,467	1.50	0.30

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

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.

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, polices 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.

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:

Contractual obligations	Within 1 year	Between 1 and 5 years	Over 5 years	Total
	$	$	$	$
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
Total contractual obligations	**15,676,433**	**5,111,739**	**1,954,286**	**22,742,458**

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.

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.

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.

Spyder Cannabis Inc.

Consolidated Financial Statements
For the Years Ended January 31, 2021 and 2020
(Expressed in Canadian Dollars)

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Stern & Lovrics LLP
Chartered Professional Accountants

Samuel V. Stern, BA, CPA, CA
George G. Lovrics, BComm, CPA, CA

Nazli Dewji, BA, CPA, CMA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Spyder Cannabis Inc.

Opinion

We have audited the financial statements of Spyder Cannabis Inc. (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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, 2021 and 2020, 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, 2021 the Company had an accumulated deficit of $4,650,055 (2020 - $3,340,437) and had generated negative cash flow from operations in the current year totaling $316,259 (2020 - $779,394). 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, 2021

Chartered Professional Accountants
Licensed Public Accountants

Spyder Cannabis Inc.

Consolidated Statements of Financial Position
As at January 31, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
ASSETS		
Current		
Cash	**298,256**	127,980
Inventory *(Note 6)*	**171,300**	151,845
Prepaid expenses and sundry receivables	**73,584**	97,387
Sales tax receivable	**-**	41,781
	543,140	418,993
Non-current assets		
Property and equipment *(Note 7)*	**219,153**	264,693
Right-of-use assets *(Note 8)*	**469,976**	653,813
Development permit *(Note 12)*	**-**	163,833
Total non-current assets	**689,129**	1,082,339
Total assets	**1,232,269**	1,501,332
LIABILITIES AND EQUITY		
Current		
Trade and other payables *(Note 9)*	**745,811**	350,020
Current portion of lease liabilities *(Note 14)*	**57,569**	123,596
Loans payable - current *(Note 10)*	**925,567**	501,494
Total current liabilities	**1,728,947**	975,110
Non-current liabilities		
Lease liabilities *(Note 14)*	**552,306**	592,066
Government loan *(Note 11)*	**159,119**	-
Loans payable *(Note 10)*	**20,147**	46,388
Total non-current liabilities	**731,572**	638,454
Total liabilities	**2,460,519**	1,613,564
SHAREHOLDERS' DEFICIENCY		
Share capital *(Note 16)*	**2,929,776**	2,736,176
Warrants *(Note 18)*	**99,398**	99,398
Contributed surplus	**392,631**	392,631
Deficit	**(4,650,055)**	(3,340,437)
Total deficiency	**(1,228,250)**	(112,232)
Total liabilities and shareholders' deficiency	**1,232,269**	1,501,332

Nature of Operations and Going Concern *(Note 1)*
Commitments *(Note 26)*
Subsequent Events *(Note 27)*

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.

Spyder Cannabis Inc.

Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended January 31, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
Revenue	**1,276,124**	756,929
Cost of goods sold	**891,158**	400,401
Gross profit	**384,966**	356,528
Expenses		
General administration *(Note 19)*	**1,313,038**	1,376,405
Finance charges *(Note 20)*	**193,992**	173,873
Listing expense *(Note 1)*	**-**	985,419
Total expenses	**1,507,030**	2,535,697
Loss before other income (expenses)	**(1,122,064)**	(2,179,169)
Government assistance *(Note 11)*	**142,486**	-
Impairment expense *(Note 7, 12)*	**(330,040)**	-
Net loss and comprehensive loss	**(1,309,618)**	(2,179,169)
Loss per share - basic and diluted	**(0.03)**	(0.07)
Weighted average number of shares outstanding - basic and diluted	**44,924,822**	30,340,153

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

Spyder Cannabis Inc.

Consolidated Statements of Changes in Equity
For the Years Ended January 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Share Capital	Reserves	Equity Component of convertible debt	Deficit	Shareholders' Deficiency
	$	$	$	$	$
Balance January 31, 2019	79,979	344,629	239,142	(1,161,268)	(497,518)
Common shares issued for the conversion of convertible debenture	1,784,068	70,148	(239,142)	-	1,615,074
Common shares issued for services and purchase of Development Permit	195,029	-	-	-	195,029
Shares and compensation options issued on RTO	677,100	76,252	-	-	753,352
Finders' warrants issued	-	1,000	-	-	1,000
Net loss for year				(2,179,169)	(2,179,169)
Balance, January 31, 2020	**2,736,176**	**492,029**	**-**	**(3,340,437)**	**(112,232)**
Common shares issued on conversion of accounts payables	43,600	-	-	-	43,600
Common shares issued for the conversion of debt	150,000	-	-	-	150,000
Net loss for the year	-	-	-	(1,309,618)	(1,309,618)
Balance, January 31, 2021	**2,929,776**	**492,029**	**-**	**(4,650,055)**	**(1,228,250)**

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

Spyder Cannabis Inc.

Consolidated Statements of Cash Flows
For the Years Ended January 31, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
Cash was provided by (used) in the following activities:		
Operating activities		
Net loss for the year	**(1,309,618)**	(2,179,169)
Items not requiring an outlay of cash:		
Depreciation	**242,112**	187,618
Accretion	**-**	29,100
Impairment expense	**330,040**	
Government assistance *(Note 11)*	**(142,486)**	
Interest on lease liability	**76,566**	90,497
Listing and related expenses	**-**	874,869
Change in non-cash working capital:		
Sales tax receivable	**41,781**	(1,308)
Inventory	**(19,455)**	3,581
Prepaid expenses	**23,803**	94,091
Trade and other payables	**440,998**	121,327
Cash flows used in operating activities	**(316,259)**	(779,394)
Financing Activities		
Loans payable	**547,832**	464,663
Government loan	**300,000**	-
Lease payments	**(127,655)**	(153,679)
Net cash proceeds from convertible debentures	**-**	294,500
Cash flows provided by financing activities	**720,177**	605,484
Investing Activities		
Guaranteed investment certificates	**-**	400,000
Development permit	**-**	11,167
Purchase of property and equipment (Note 4)	**(233,642)**	(190,809)
Cash flows provided by (used in) investing activities	**(233,642)**	220,358
Increase in cash during the year	**170,276**	46,448
Cash, beginning of year	**127,980**	81,532
Cash, end of year	**298,256**	127,980
Non-cash transactions		
Shares issued for on conversion of debt	**193,600**	
Shares issued for services		20,000

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

1. Nature of Operations and Going Concern

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

Reverse Takeover

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

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

Going Concern and Impact of COVID-19

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

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

1. Nature of Operations and Going Concern (continued)

Going Concern and Impact of COVID-19 (continued)

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

- Reduced selling, general and administrative costs, capital expenditures and other discretionary spending;
- Realized on personnel cost savings related to temporary layoffs as a result of store closures, temporary reductions in compensation and other hiring and salary freezes, where applicable;
- Worked with landlords to abate or defer a significant portion of retail store rents during retail shut downs or subsequent periods; and
- Evaluated, qualified and applied for applicable government relief programs, including the Canada Emergency Wage Subsidy ("CEWS") program (see *Note 13*).

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

Going Concern

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended January 31, 2021, the Company incurred losses of $1,309,618 (2020 - $2,179,169) resulting in an accumulated deficit as at January 31, 2021 of $4,650,055 (2020 - $3,340,437) and generated negative operating cash flows of $316,259 (2020 - $779,397) during the year. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. As a result, within the next twelve months the Company will need to generate positive cash flows from operations, and/or obtain additional equity or debt financing in order to meet its liabilities as they come due and to continue with its business activities. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations. Accordingly, these consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

2. Basis of Preparation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") in effect on January 31, 2021. These consolidated financial statements were authorized for issuance by the Board of Directors on May 31, 2021.

b) Basis of Measurement

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

c) Functional and Presentation Currency

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

d) Use of Estimates and Judgements

The preparation of these 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. The consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences.

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

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

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

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the 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: 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/losses on transactions between these subsidiaries are eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include 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. The Company did not have any cash equivalents as at January 31, 2021 and 2020.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first in first out 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 inventories to the location and condition necessary for sale to customers. Storage and administrative overheads are expensed as incurred. Supplier rebates and discounts are recorded as a reduction in the cost of goods sold.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible secured subordinate debentures that can be converted to common shares at the option of the holder or upon the completion of a qualifying transaction, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

3. Significant Accounting Policies (continued)

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and 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:

Asset	Method	Rate
Furniture & equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years
Automobile	Declining balance	30%
Website & 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 statement of operations and comprehensive loss.

Repairs and maintenance costs that do not improve or extend productive life are recognized in the consolidated statement of operations and comprehensive loss in the period in which the costs are incurred.

Intangible assets

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

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on the cost of the asset less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of the intangible assets. Amortization of intangible assets not in service begins when they are ready for their intended use. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate the asset may be impaired. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

3. Significant Accounting Policies (continued)

Leases

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

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

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

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

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

Foreign currency translation

Revenues and expenses denominated in foreign currencies are translated into Canadian Dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities are retranslated at the reporting date using the rate in effect at the consolidate 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.

3. Significant Accounting Policies (continued)

Provisions

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

IFRS 15 - *Revenue from contracts with customers*

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

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

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

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

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

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

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

Cost of goods sold

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

Government assistance

The Company recognizes government assistance when there is reasonable assurance that the Company has met the requirements of the approved grant program and the Company is reasonably certain, based on management’s judgement, that the government grant will be received. Government assistance, including grants, related to operating expenses is accounted for as a reduction to the related expenses. The Company’s received government assistance in the form of grants as noted in Note 13.

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.

Share-based compensation

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

Equity

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

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

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

Income taxes

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

Current tax

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

Deferred tax

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

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

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

Financial instruments

Financial assets

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

Financial assets at FVTPL

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations during the period in which the change occurs. Realized and unrealized gains or losses resulting from assts held at FVPTL are included in the consolidated statements of operations and comprehensive losses in the period in which they relate to.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets at FVTOCI

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

Financial assets at amortized cost

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

Financial liabilities

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

The Company has made the following classifications:

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

Impairment

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

Fair value hierarchy

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

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3. Significant Accounting Policies (continued)

Fair value hierarchy (continued)

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

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

Future Accounting Pronouncements

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

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

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

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

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

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

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

The Company has applied the practical expedient for the annual period ending January 30, 2021 and has recorded any eligible change in lease payments resulting from COVID-19-related rent concessions in the consolidated statement of operations and comprehensive loss, at the later of the date on which the rent concession arrangement is executed and the period to which the rent concession relates.

4. Reverse Takeover of Spyder Vapes

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

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

The accounting for the RTO resulted in the following:

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

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

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

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

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

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

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

5. 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 years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Estimates and judgements

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

Inventory valuation

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

Income taxes

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

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

5. Use of Judgements and Estimates (continued)

Share-based compensation

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

Carrying values of tangible assets

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

Leases

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

Deferred tax assets

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

Contingencies

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

Convertible debentures

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

6. Inventory

As at January 31, 2021 and 2020, the Company's inventory was comprised only of finished goods which amounted to $171,300 (2020 - $151,845). Inventories recognized as an expense and included in cost of sales during the year ended January 31, 2021 amounted to $891,158 (2020 - $400,401).

7. Property and Equipment

Property and equipment are comprised of the following:

	Furniture and equipment	Computer equipment	Leasehold improvements	Website, signs and automobile	Total
	$	$	$	$	$
Cost					
As at January 31, 2019	**52,967**	**21,229**	**145,163**	**79,031**	**298,390**
Additions	28,598	1,060	154,600	6,548	190,806
Disposals	-	-	-	-	-
As at January 31, 2020	**81,565**	**22,289**	**299,763**	**85,579**	**489,196**
Additions	52,374	10,174	168,148	2,946	233,642
Disposals	(42,442)	(2,381)	(241,161)	(7,880)	(293,864)
As at January 31, 2021	**91,497**	**30,082**	**226,750**	**80,645**	**428,974**
Accumulated depreciation					
As at January 31, 2019	**22,086**	**13,703**	**70,374**	**55,755**	**161,918**
Depreciation	9,512	2,387	43,997	6,689	62,585
Disposals	-	-	-	-	-
As at January 31, 2020	**31,598**	**16,090**	**114,371**	**62,444**	**224,503**
Depreciation	23,868	5,122	73,838	10,147	112,975
Disposals	(20,841)	(2,381)	(96,555)	(7,880)	(127,657)
As at January 31, 2021	**34,625**	**18,831**	**91,654**	**64,711**	**209,821**
Net book value ($)					
As at January 31, 2020	49,967	6,199	185,392	23,135	264,693
As at January 31, 2021	**56,872**	**11,251**	**135,096**	**15,934**	**219,153**

During the year ended January 31, 2021, the Company recorded depreciation expense related to property and equipment in the amount of $112,975 (2020 - $62,585). During the year ended January 31, 2021, the Company recorded impairment expense related to the impairment of property and equipment in the amount of $166,207.

8. Right-of-use Assets

	$
As at January 31, 2019	**686,369**
Additions during the year	92,475
Depreciation during the year	(125,031)
As at January 31, 2021	**653,813**
Disposals during the year	(54,700)
Depreciation during the year	(129,137)
Net Book Value January 31, 2021	**469,976**

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

9. Trade and Other Payables

Trades and other payables are comprised of the following:

	2021	2020
	$	$
Accounts payable and accrued liabilities	**637,580**	308,555
Salaries payable	**57,600**	38,000
Government remittances payable	**50,631**	3,465
	745,811	350,020

10. Loans Payable

	2021	2020
	$	$
Vehicle loan, payable in monthly installments of $550, non-interest bearing, matures on August 2021 and secured by related vehicle.	**3,854**	10,461
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.	**38,507**	47,687
Loans payable, interest bearing at rates between 12% - 24% per annum, interest only payments, monthly, secured and due on demand.	**903,353**	489,734
	945,714	547,882
Less: current portion	**(925,567)**	(501,494)
Balance, January 31, 2021 and 2020	**20,147**	46,388

11. Government Loan

During the year ended January 31, 2021, the Company obtained a $300,000 loan under the Canada Emergency Business Account (the "CEBA Loan"). The CEBA Loan was granted in in the form of an interest-free revolving line of credit of which up to $300,000 may be drawn. On January 1, 2021, any balance remaining on the revolving line of credit automatically converted into a non-revolving term loan. Any outstanding balance on the CEBA Loan not repaid by January 1, 2023 is converted into an interest-bearing loan at a rate of 5% per annum. The CEBA Loan matures on December 31, 2025. If 2/3 (or $200,000) of the outstanding CEBA Loan is paid on or before December 31, 2022, the remaining 1/3 (or $100,000) will be forgiven. The Company expects to repay $200,000 of the outstanding CEBA Loan by December 31, 2022. The Company has discounted the CEBA Loan using a discount rate of 12% during the interest-free loan period, which is the Company's incremental borrowing rate. The difference between the amount received and the fair value of the CEBA Loan has been reflected as government assistance in the consolidated statement of operations and comprehensive loss. The fair value of the CEBA Loan at inception amounted to $157,514. The difference of $142,486 has been reflected as government assistance on the consolidated statement of operations and comprehensive loss.

As at January 31, 2021, the fair value of the CEBA Loan amounted to $159,119 (2020 - $Nil).

12. Development Permit

During the year ended January 31, 2020, the Company entered into a purchase agreement with an arm's length party to acquire an interest in a development permit (the "Development Permit"). The net costs incurred to acquire the Development Permit amounted to $163,833. The consideration was paid by an issuance of 3,000,000 common shares of the Company amounting to $175,000, net of cash recovery of $11,167. As at January 31, 2021, the Development Permit was deemed impaired by management and an impairment expense in the amount of $163,833 was recorded in the consolidated statements of operations and comprehensive loss.

13. 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, 2021, the Company has received approximately $44,365 as a wage subsidy under this program. This has been recognized in the consolidated statements of operations and comprehensive loss as a reduction to the related expenses.

14. Lease Liabilities

As at January 31, 2021, the Company has entered into various lease agreements with payments between $940 to $4,118 per month.

The Company has recorded the leases in existence at February 1, 2019 as a right-of-use asset *(Note 8)* and lease liabilities in the consolidated statements of financial position. 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. The lease payments are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate.

14. Lease Liabilities (continued)

The continuity of the lease liability from February 1, 2019 to January 31, 2021 is presented below:

	$
Balance, February 1, 2019	**686,369**
Additions during the year	92,475
Interest expense	90,497
Lease payments	(153,679)
As at January 31, 2020	**715,662**
Additions during the year	(54,698)
Interest expense	76,566
Lease payments	(127,655)
As at, January 31, 2021	**609,875**

Summary:

	2021	2020
	$	$
Current portion of lease liabilities	**57,569**	123,596
Non-current lease liabilities	**552,306**	592,066
Balance, January 31, 2021	**609,875**	715,662

15. Convertible Debentures

During the year ended January 31, 2020, the Company issued the following Debentures:

On May 31, 2019, the Company completed a non-brokered convertible debenture financing and issued $294,500 (1,963,333 debentures at $0.15) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to arms-length parties. The convertible debentures are convertible into ("Units") of the Company at a price of $0.15 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant. On May 31, 2019, the Units were converted into common shares and warrants of the Company at a price of $0.15 per common share. As these convertible debentures were immediately converted, there was no debt component separately presented on the statement of financial position.

The debt component of these convertible debentures was accreted using the effective interest rate method. For the year ended January 31, 2020, convertible debenture transactions were as follows:

	2020
	$
Opening balance	**1,170,988**
Issuance	**294,500**
Issuance expense	**(1,000)**
Accretion	**29,100**
Conversion to common shares	**(1,493,588)**
Ending Balance	**-**

There were no convertible debentures outstanding during the year ended January 31, 2021.

16. Share Capital

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

	#	$
Balance, January 31, 2019	**8,092,493**	**79,979**
Conversion of debentures	27,331,882	1,784,068
Common shares issued for RTO	4,514,000	677,100
Common shares issued for services	86,956	10,000
Balance outstanding at the date of the RTO	40,025,331	2,551,147
Common shares issued for Development Permit	3,000,000	175,000
Common shares issued for services	193,846	10,029
Balance, January 31, 2020	**43,219,177**	**2,736,176**
Common shares issued for the conversion of debt	3,000,000	150,000
Common shares issued for the conversion of accounts payable	872,000	43,600
Balance, January 31, 2021	**47,091,177**	**2,929,776**

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

- On August 24, 2020, the Company issued 3,000,000 common shares at a price of $0.05 per common share to the Chief Financial Officer of the Company in settlement of a secured loan in the amount of $150,000; and
- On August 24, 2020, the Company issued 872,000 common shares at a price of $0.05 per common share to settle accounts payable from arms-length vendors in the amount of $43,600.

During the year ended January 31, 2020, the Company had the following share capital transactions:

- On May 31, 2019, the Company issued 420,000 common shares at a price of $0.10 per common share for cash proceeds of $42,000;
- On May 31, 2019, the Company issued 372,493 common shares at a price of $0.10 per share for $37,249 of finders fees;
- On May 31, 2019, the Company issued 1,963,333 common shares in exchange for the conversion of convertible debentures amounted to $293,500;
- On May 31, 2019, the Company issued 25,368,549 common shares in exchange for the conversion of certain convertible debentures amounting to $1,490,568;
- On August 29, 2019, the Company issued 3,000,000 common shares at a deemed price of $0.0583 for the purchase of the Development Permit *(Note 12)*; and
- On January 10, 2020, the Company issued 193,846 common shares at a price of $0.065 per common share in consideration for $12,600 for services provided by an investor relations firm.

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 and directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

17. Share-based Payments

On September 1, 2017, the Company established a stock-based compensation plan (the "Plan") which provides for the granting of incentive share options, non-statutory share options, share appreciation rights, restricted share awards, restricted share unit awards, and other share awards (collectively, "Share Awards") to selected directors, employees and consultants for a period of 5 years from the establishment of the Plan. The Plan is intended to help the Company secure and retain the services and provide incentives for increased efforts for the success of the Company.

The Board of Directors grants Share Awards from time to time based on its assessment of the appropriateness of doing so considering the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract key personnel, the number of Share Awards already outstanding and overall market conditions.

The number of common shares reserved for issuance under the Plan is fixed at a maximum of 3,993,837 common shares of the Company (the "Share Reserve"). Exercise or return of previously issued options to the Plan increases the number of options available for issue.

On the date of the RTO, the previously issued stock compensation for Anchor Capital Corporation was revalued and the estimated fair value of the compensation options was $76,252 using the Black-Scholes option pricing model with the following assumptions: dividend of $0.00; expected volatility of 154%; a risk-free interest rate of 1.38% and an expected term of approximately 5.5 years.

Total stock-based compensation recorded during the year ended January 31, 2021 was $Nil (2020 - $Nil). A summary of the Company's stock options outstanding as at January 31, 2021 and 2020 are as follows:

	2021			2020		
	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	**3,851,400**	**0.07**	**3.33**	3,300,000	0.05	3.03
Granted (expired)	-	-		551,400	0.1	5.16
Balance, end of the year	3,851,400	0.07	2.33	3,851,400	0.07	3.33
Exercisable, end of the year	**3,851,400**	**0.07**	**2.33**	3,851,400	0.07	3.33

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price
Dec. 2, 2014	Dec. 2, 2024	551,400	551,400	$0.10
Sep. 1, 2017	Sep. 1, 2022	2,000,000	2,000,000	$0.05
Sep. 4, 2018	Sep. 4, 2023	200,000	200,000	$0.10
Oct. 10, 2018	Oct. 10, 2023	500,000	500,000	$0.10
Nov. 1, 2018	Nov. 1, 2023	600,000	600,000	$0.10

As at January 31, 2021, 3,851,400 (2020 - 3,851,400) outstanding options were fully vested.

18. Warrants

In May 2019 and in connection with the $1,963,333 debenture issuance, the Company issued 981,668 share purchase warrants with an exercise price $0.30 expiring in May 2021. The estimated fair value of the warrants was $70,148 using the Black-Scholes option pricing model with the following assumptions: dividend of $0.00; expected volatility of 154%; a risk-free interest rate of 1.62% and an expected term of 2 years. In addition, the Company issued 10,667 finders' warrants having an estimated fair value of $1,000. The estimated fair value of the finder's warrants was determined by using the Black-Scholes option pricing model with the following assumptions: dividend of $0.00; expected volatility of 154%; a risk-free interest rate of 1.62% and an expected term of 2 years.

A summary of the Company's warrants outstanding at January 31, 2021 and 2020 are as follows:

	2021			**2020**		
	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	**1,379,828**	**0.1**	**0.83**	387,493	0.1	0.83
Granted (expired)	(387,493)	0.1	1.3	992,335	0.3	1.3
Balance, end of the year	992,335	0.3	0.3	1,379,828	0.24	1.16
Exercisable, end of the year	**992,335**	**0.3**	**0.3**	1,379,828	0.1	1.16

19. General and Administrative Expenses

General and administrative expenses are comprised of the following:

	2021	2020
	$	$
Salaries and wages	**301,775**	427,015
Professional fees	**264,057**	318,232
Depreciation of right-of-use assets	**129,137**	125,033
Depreciation	**112,975**	62,585
Rent and utilities	**208,464**	130,374
Office and general	**193,704**	104,307
Insurance	**40,819**	14,202
Telephone, website and internet	**37,407**	34,971
Bank charges	**24,700**	17,984
Marketing	**-**	126,065
Lease termination	**-**	13,617
	1,313,038	1,376,405

20. Finance Charges

Finance charges are comprised of the following:

	2021	2020
	$	$
Interest on loans payable	**115,821**	23,916
Interest on lease liabilities	**76,566**	76,566
Accretion	**1,605**	29,100
Interest on convertible debentures	**-**	44,291
	193,992	173,873

21. 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:

	2021	2020
	$	$
Loss before income taxes	**(1,309,618)**	(2,179,169)
Statutory income tax rate	**26.50%**	26.50%
Expected income taxes recovery at statutory income tax rate	**(347,049)**	(577,480)
Changes in income taxes resulting from:		
Temporary tax differences and others	**14,252**	107,692
Change in income tax rate	**-**	(81,540)
Deferred tax assets not recognized	**332,797**	551,328
Provision for income taxes (recovery)	**-**	-

b) Deferred income taxes:

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

	2021	2020
	$	$
Non-capital losses	**826,000**	485,000
Financing costs	**40,800**	55,200
Property and equipment	**60,200**	27,000
Right of use assets and lease liabilities, net	**37,100**	16,400
Less: Unrecognized deferred tax assets	**(964,100)**	(583,600)
Total	-	-

The Company has capital losses carried forward of approximately $3,117,000 which will begin to expire in 2035.

22. Capital Management

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to its shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. the Company is not subject to any externally imposed capital requirements or covenants.

The Company's capital structure consists of equity and working capital. In order to maintain or alter the capital structure, the Company may adjust capital spending, raise new debt and issue share capital.

23. Financial Management and Risk Assessment

Fair value

Financial instruments of the Company consist of cash, trade and other payables, advances to/from shareholders', convertible debentures and loans payable. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the statements of financial position and their estimated fair values due to the short-term nature of these items. The convertible debentures and loans payable approximate their fair value as terms and conditions represent market terms and conditions.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Credit risk

The Company is exposed to credit risk on its cash balance which is held with reputable financial institutions. As at January 31, 2021, management considered the Company's credit risk in relation to such financial assets to be low.

23. Financial Management and Risk Assessment (continued)

Interest rate risk

The Company is exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its loans payable balance which accrues interest at a variable rate. Fluctuations in market rates do not have a significant impact on the Company's results of operations.

Liquidity risk

The Company is exposed to liquidity risk. Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they fall due. the Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. the Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing.

Undiscounted contractual cash outflow of financial liabilities based on maturity date are as follows:

	1 year	**2 to 5 years**	**>5 years**	**Total**
January 31, 2021	**$**	**$**	**$**	**$**
Trade and other payables	745,811	-	-	745,811
Loans payable	925,567	220,147	-	1,145,714
	1,671,378	**220,147**	**-**	**1,891,525**

	1 year	**2 to 5 years**	**>5 years**	**Total**
January 31, 2020	**$**	**$**	**$**	**$**
Trade and other payables	350,020	-	-	350,020
Loans payable	501,494	46,388		547,882
	851,514	**46,388**	**-**	**897,902**

24. Related Party Transactions

Key management personnel compensation

The Company defines key management personnel as being the Chief Executive Officer and Chief Financial Officer. the Company does not provide non-cash benefits to the key management.

Key management compensation during the years ended January 31, 2021 and 2020 is as follows:

	2021	2020
	$	$
Stock-based compensation	**-**	18,366
Salaries and other short-term employee benefits	**57,140**	62,400

24. Related Party Transactions (continued)

During the year ended January 31, 2021 and 2020, the Company had the following related party transactions and balances in the normal course of business:

a. During the year ended January 31, 2021, the Company accrued professional and consulting fees in the amount of $40,000 (2020 - $60,000) to Peldren Holdings Inc., a company controlled by the Chief Financial Officer.

b. Included in loans payable (Note 10), the following amounts were due to related parties:
   i. $67,200, comprised of $60,000 of loans payable and $7,200 of interest payable, owing to Peldren Holdings Inc., a company controlled by the CFO of the Company;
   ii. $22,400, comprised of $20,000 of loans payable and $2,400 of interest payable, owed to Daniel Pelchovitz, the CEO of the Company;
   iii. $239,834, comprised of $204,786 of loans payable and $35,048 of interest payable, owed to Mark Pelchovitz, CFO of the Company; and
   iv. $24,792, comprised of $22,350 of loans payable and $2,442 of interest payable, owed to the spouse of the CFO of the Company.

c. Included in accounts payable (Note 9), the following amounts were due to related parties:
   i. $45,200 of management fees payable to Peldren Holdings Inc., a company controlled by the CFO of the Company;
   ii. $34,260 of wages payable owing to Daniel Pelchovitz, the CEO of the Company; and
   iii. $23,340 of wages payable owing to the spouse of the CFO of the Company.

25. Comparative Amounts

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

26. Commitments

Leases

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

One year	$171,048
Between two to five years	$542,031
More than five years	$298,124

27. Subsequent Events

Acquisition of 180 Smoke

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

Financing

On April 1, 2021, the Company completed a non-brokered private placement through the issuance of 14,814,815 units ("Units") of the Company, at a price of $0.0675 per Unit, for total gross proceeds of approximately $1,000,000. Each Unit consisted of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.135 per common share at any time prior to the earlier of: (i) April 1, 2023; or (ii) in the event that the closing price of the Company's common shares on the TSX-V is at least $0.20 for a minimum of 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants requiring them to exercise such Warrants within 30 days following the date of issuance of such written notice.

Option Exercises

On February 17, 2021, and in connection with options previously issued options for the purchase of 175,000 common shares of the Company were exercised at a price of $0.10 per common share for total gross proceeds of $17,500.

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

Option Grants

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

Debt Settlement

On March 16, 2021, the Company completed a debt settlement transaction (the "Transaction"), pursuant to which the Company issued, to certain creditors of the Company, an aggregate of 9,966,666 common shares of the Company at a deemed price of $0.03 per common share, in settlement of an aggregate of $299,000 in indebtedness of the Company.

Spyder Cannabis Inc.

Consolidated Financial Statements
For the years ended January 31, 2020 and 2019
(expressed in Cdn $)

Stern & Lovrics LLP
Chartered Professional Accountants

Samuel V. Stern, BA, CPA, CA
George G. Lovrics, BComm, CPA, CA

Nazli Dewji, BA, CPA, CMA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Spyder Cannabis Inc.:

Opinion

We have audited the financial statements of Spyder Cannabis Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits 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 consolidated 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, 2020 the Company had an accumulated deficit of $3,340,437 and had generated negative cash flow from operations in the current year totaling $779,394. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exists that may 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 matter

The consolidated financial statements of the Company for the year ended January 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on June 17, 2019.

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.

1210 Sheppard Avenue East, Suite 302, Toronto, Ontario M2K 1E3 Tel: (416) 499-8848 Fax: (416) 491-5301

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 IFRSs, 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.

Stern & Lovrics LLP

Toronto, Ontario
July 14, 2020

Chartered Professional Accountants
Licensed Public Accountants

Spyder Cannabis Inc.
Consolidated Statements of Financial Position
As at January 31
(Expressed in Canadian Dollars)

	2020	2019
ASSETS		
Current:		
Cash	$ 127,980	$ 81,532
Guaranteed investment certificate	-	400,000
Sales tax receivable	41,781	40,473
Inventory *(Note 6)*	151,845	155,426
Prepaid expenses	97,387	191,478
	418,993	868,909
Non-current assets		
Property and equipment *(Note 7)*	264,693	136,473
Right-of-use asset (*Note 8*)	653,813	-
Development permit (*Note 11*)	163,833	-
Total non-current assets	1,082,339	136,473
	$ 1,501,332	$ 1,005,382
LIABILITIES AND EQUITY		
Current:		
Trade and other payables *(Note 9)*	$ 350,020	$ 248,693
Loans payable - current *(Note 10)*	501,494	24,967
Current portion of lease liabilities *(Note 12)*	123,596	-
Total current liabilities	975,110	273,660
Non-current liabilities:		
Lease liabilities *(Note 12)*	592,066	-
Loans payable *(Note 10)*	46,388	58,252
Convertible debentures *(Note 13)*	-	1,170,988
Total non-current liabilities	638,454	1,229,240
	1,613,564	1,502,900
SHAREHOLDERS' DEFICIENCY		
Share Capital *(Note 14)*	2,736,176	79,979
Warrants *(Note 16)*	99,398	28,250
Equity component of convertible debentures	-	239,142
Contributed Surplus	392,631	316,379
Deficit	(3,340,437)	(1,161,268)
	(112,232)	(497,518)
	$ 1,501,332	$ 1,005,382

Nature of Operations and Going Concern - Note 1
Commitment and contingencies - Note 23
Subsequent events - Note 24

Approved on behalf of the Board on July 14, 2020:

"Mark Pelchovitz"
Director

Daniel Pelchovitz
Director

Spyder Cannabis Inc.
Consolidated statements of Loss and Comprehensive Loss
For the years ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Sales	$ 756,929	$ 971,627
Cost of sales	400,401	496,757
Gross margin	356,528	474,870
Expenses:		
Marketing	126,065	9,382
Finance charges *(Note 18)*	173,873	195,522
General administration *(Note 17)*	1,250,340	918,025
Listing expense *(Note 4)*	985,419	-
Total expenses	2,535,697	1,122,929
Operating loss	(2,179,169)	$ (648,059)
Deferred tax recovery	-	(27,661)
Loss and comprehensive loss for the year	$ (2,179,169)	$ (620,398)
Net loss per share - basic and diluted	$ (0.07)	$ (0.08)
Weighted average number of shares outstanding - basic and diluted	30,340,153	7,728,102

Spyder Cannabis Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Shares $ Amount	Reserves	Equity component of Conv Deb.	Deficit	Total Equity
Balance January 31, 2018	$ 730	$ 197,000	$ 82,393	$ (540,870)	$ (260,747)
Net loss for year				(620,398)	(620,398)
Shares issued	79,249				79,249
Finders' warrants issued		28,250			28,250
Equity portion of convertible debentures, net of deferred tax			156,749		156,749
Stock base compensation		119,379			119,379
Balance January 31, 2019	$ 79,979	$ 344,629	$ 239,142	$ (1,161,268)	$ (497,518)
Balance January 31, 2019	$ 79,979	$ 344,629	$ 239,142	$ (1,161,268)	$ (497,518)
Net loss for year				(2,179,169)	(2,179,169)
Shares issued on conversion of Convertible debentures	1,784,068	70,148	(239,142)		1,615,074
Common shares issued for services and purchase of Development Permit	195,029				195,029
Shares and compensation options issued on RTO	677,100	76,252			753,352
Finders' warrants issued		1,000			1,000
Balance January 31, 2020	$ 2,736,176	$ 492,029	$ -	$ (3,340,437)	$ (112,232)

Spyder Cannabis Inc.
Consolidated Statements of Cash Flows
For the years ended January 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Cash was provided by (used in) the following activities:		
Operating activities		
Net loss for the year	$ (2,179,169)	$ (620,398)
Items not requiring an outlay of cash:		
Amortization	187,618	46,117
Stock-based compensation	-	119,379
Accretion	29,100	105,228
Common shares issued for services	20,000	-
Deferred tax recovery	-	(27,661)
Interest on Right of use assets	90,497	-
Listing and related expenses	874,869	-
Change in non-cash working capital:		
Deferred finance charges	-	15,000
Sales tax receivable	(1,308)	(23,581)
Inventory	3,581	(60,383)
Prepaid expenses	94,091	(163,193)
Trade and other payables	101,327	87,420
Cash flows provided by (used in) operating activities	(779,394)	(522,072)
Financing activities		
Loans payable	464,663	(24,967)
Lease payments	(153,679)	-
Net cash proceeds from convertible debentures	294,500	869,738
Capital stock issued for cash	-	42,100
Cash flows provided by (used in) financing activities	605,484	886,871
Investing activities		
Guaranteed investment certificates sold (purchased)	400,000	(400,000)
Development permit	11,167	-
Purchase of property and equipment	(190,809)	(5,241)
Cash flows provided by (used in) investing activities	220,358	(405,241)
Increase (decrease) in cash during the year	46,448	(40,442)
Cash, beginning of year	81,532	121,974
Cash, end of year	$ 127,980	$ 81,532

Supplemental cash flow information:
Significant non-cash transactions for the year ended January 31, 2020:
- A fair value of $175,000 on common shares issued for the development permit (Note 11)
- A fair value of $20,029 on common shares issued for services rendered.

1. Nature of business and Going Concern

Spyder Cannabis Inc. (Formerly Anchor Capital Corporation) (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on February 20, 2014. The Company is publicly-held and its common shares are listed on the TSX Venture Exchange ("TSX-V") and under the symbol "SPDR" and sells electronic cigarettes, cannabis supplies, Ejuice and accessories for the "vape" business from five Canadian retail locations; Woodbridge, Scarborough, Pickering, Niagara Falls and Burlington, Ontario. The Company is pursuing the sale of cannabis from retail stores in both Ontario and Alberta. The sale of cannabis in these provinces is subject to obtaining regulatory approval. The Company is also pursuing the sale of Hemp based CBD products from locations in the USA.

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

Going Concern

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the year ended January 31, 2020, the Company incurred losses of $2,179,169 (2019 - $620,398) resulting in an accumulated deficit at January 31, 2020 of $3,340,437 and generated negative operating cash flows of $779,394 during the year. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

As a result, within the next twelve months the Company will need to generate positive cash flows from operations, and/or obtain additional equity or debt financing in order to meet its liabilities as they come due and to continue with its business activities.

These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations.

Accordingly, these consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Further, in March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

Reverse Takeover

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

Upon closing of the Amalgamation, the Company issued 40,025,331 New Spyder Shares and 5,230,561 New Spyder Shares reserved for issuance. The New Spyder Shares reserved for issuance include 1,379,828 warrants and 3,851,400 stock options. Further, following closing of the Amalgamation, (i) the former shareholders of Vapes owned approximately 88.7% of the issued and outstanding New Spyder Shares, (ii) the principals of Vapes collectively held 12,644,986 New Spyder Shares and 1,400,000 stock options.

2. Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") in effect on January 31, 2020.

These consolidated financial statements were authorized for issuance by the Board of Directors on July 14, 2020.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

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

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates and judgements are significant to the consolidated financial statements are disclosed in Note 5.

3. Summary of Significant Accounting Policies

The accounting policies set out below are considered to be significant and have been applied consistently by the Company to all years presented in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries listed below:

Name of subsidiary	Principle activity	Place of business and operations	Equity percentage
Spyder Vapes Inc.	Retail smoking accessories	Woodbridge, ON	100%
Spyder Vapes (East) Inc.	Retail smoking accessories	Scarborough, ON	100%
Spyder Vapes (Appleby) Inc. [1]	Retail smoking accessories	Burlington, ON	100%
The Green Spyder Inc.	Cannabis	Alberta	100%
Spyder Cannabis Subco Inc.	Cannabis	Ontario	100%
The Green Spyder (Lundy's) Inc.	Cannabis accessories	Ontario	100%
The Green Spyder (Pickering) Inc.	Cannabis accessories	Ontario	100%
The Green Spyder IP Inc.	Trademarks	Ontario	100%
SPDR (USA) Corporation	Hemp CBD	USA	100%

Summary of subsidiaries

SPDR (USA) Corporation is a wholly-owned subsidiary of the company which was incorporated in the State of Delaware, USA, to operate all the hemp based CBD business in the USA. The company was incorporated July 1, 2019

Spyder Cannabis Subco Inc. is the wholly-owned subsidiary of the company and holds all the investments in the Canadian subsidiaries. Spyder Cannabis Subco Inc. will operate the Ontario cannabis stores.

Spyder Vapes (East) Inc. is a wholly-owned subsidiary that was incorporated pursuant to the provisions of the Canada Business Corporations Act on December 7, 2015 for the purpose of operating a retail vape store. On December 19, 2015 the Company entered into a 5 year lease agreement.

Spyder Vapes Inc. is a wholly-owned subsidiary that was incorporated pursuant to the provisions of the Canada Business Corporations Act on August 18, 2014 for the purpose of operating a retail vape store. On October 20, 2014 the Company entered into a 10 year lease agreement.

Spyder Vapes (Appleby) Inc. is a wholly-owned subsidiary that was incorporated pursuant to the provision of the Canada Business Corporations Act on April 25, 2017 for the Purpose of operating a retail vape store. On May 8, 2017 the Company entered into a 5 year lease agreement.

The Green Spyder Inc. is a wholly-owned subsidiary of Spyder Cannabis Subco Inc. that was incorporated pursuant to the provisions of the Canada Business Corporations Act on June 8, 2018, for the purpose of operating the Spyder's cannabis retail stores within Alberta.

The Green Spyder (Pickering) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the Canada Business Corporations Act on November 7, 2018, for the purpose of operating Spyder's cannabis accessories retail store facility, to be located in Pickering, Ontario. On December 1, 2018, The Green Spyder (Pickering) Inc entered into a 5-year lease agreement.

The Green Spyder (Lundys) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the Canada Business Corporations Act on November 20, 2018, for the purpose of operating Spyder's cannabis accessories retail store facility, to be located in Niagara Falls, Ontario. On January 1, 2019, The Green Spyder (Lundys) Inc entered into 5-year lease agreement.

The Green Spyder IP Inc. is a wholly-owned subsidiary that was incorporated pursuant to the provisions of the OBCA on October 3, 2018, for the purpose of holding the trademarks.

Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of a company and be exposed to the variable returns from its activities. The financial statements of the above companies are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company transactions, balances and unrealized gains/losses on transactions between these companies are eliminated upon combination.

Cash

Cash consists of bank balances and funds held at lawyers trust.

Guaranteed Investment Certificates

Guaranteed investment certificates are cashable and are held at a Canadian Chartered bank.

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated on a specific identification or first-in first-out basis and includes expenditures incurred in acquiring the inventories, production or

conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and 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:

Asset	Method	Rate
Furniture & equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years
Automobile	Declining balance	30%
Website	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 statement of income and other comprehensive income.

Repairs and maintenance costs that do not improve or extend productive life are recognized in the consolidated statement of loss and other comprehensive loss in the period in which the costs are incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currencies

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in consolidated statement of loss and comprehensive loss in the period in which they arise.

Revenue recognition

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

Revenue is recognized when the criteria specific to each separately identifiable component is met and the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue

Retail revenue consists of sales through the corporate stores and e-commerce operations. Sales through ecommerce operations are recognized upon the delivery of the goods to the customer and when collection is reasonably assured.

It is the Company's policy to sell merchandise with a limited right to return.

Cost of sales

Cost of sales includes direct materials, direct labour, shipping and handling related to the sale of goods.

Taxes

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

Current tax

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

Deferred tax

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

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

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

Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all share options with exercise prices below the average market price for the year.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is recognized as an employee expense, with a corresponding increase in equity, over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Financial instruments

The Company adopted IFRS 9 as of February 1, 2018

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 Fair-value through profit or loss

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations in the period during which the change occurs. Realized and unrealized gains or losses from assets held at FVPTL are included in income or losses in the period in which they arise.

Financial assets at Fair-value through other comprehensive income

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 income (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 income (loss) and is not recycled to profit or loss.

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 as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period.

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include trade and other payables which are classified at amortized cost.

The Company has completed a detailed assessment of its financial instruments as of February 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9

Financial asset/liability	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Advances to shareholders	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Advances from shareholders	Other financial liabilities	Amortized cost
Convertible debentures	FVTPL	FVTPL

The adoption of this standard did not have a material impact on the Company's consolidated financial statements but resulted in certain additional disclosures.

Impairment

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

Fair value hierarchy

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

• Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

• Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are

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

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

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

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible secured subordinate debentures that can be converted to common shares at the option of the holder or upon the completion of a qualifying transaction, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest relating to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized

Changes in accounting standards from prior year

Effective February 1, 2019, the Company adopted IFRS 16, Leases (IFRS 16"), which supersedes previous accounting standards for leases, including IAS 17, Leases ("IAS 17"); and IFRIC 4, Determining whether an Arrangement Contains a Lease ("IFRIC 4"). IFRS 16 introduces a single lessee accounting model, unless the underlying asset is of low value, and requires a lessee to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company leases properties for its retail stores. Lease contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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.

The Company estimates the 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 store 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). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the lease will be extended. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

The Company has applied IFRS 16 in accordance with the modified retrospective approach only to contracts that were previously identified as leases. Contracts that were not identified as leases under previous standards were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after February 1, 2019. the Company has determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for leases under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A Lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on the Consolidated Statements of Financial Position, as well as a decrease to operating expenses (for the removal of base rent expense for leases), an increase to depreciation (due to the depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liability). Tenant improvement allowances receivable become part of the lease liability under IFRS 16. Leasehold inducements, store closure costs and average rent adjustments are included in the calculation of right-of-use assets.

The Company did not apply IFRS 16 on a fully retrospective basis. The incremental borrowing rate applied to the lease liability on February 1, 2019 was 12%. The aggregate lease liability recognized in the Consolidated Statement of Financial Position at February 1, 2019 and the Company's operating lease commitment at February 1, 2019 is reconciled as follows:

Operating lease commitment at February 1, 2019	**$ 686,369**
Effect of discounting lease commitments	**160,062**
Lease liability as at February 1, 2019	**$ 526,307**

4. Reverse takeover ("RTO")

On May 31, 2019, pursuant to the terms of the Transaction outlined in Note 1, the Company acquired all of the outstanding shares of Spyder Vapes Inc. These financial statements represent a continuation of Spyder Vapes Inc, not the Company. The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, Business Combination.

For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3, Business Combinations ("IFRS 3") as the shareholders of Spyder Vapes Inc. obtained control of the Company. However, as the Company does not meet the definition of a business as defined by IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2. The accounting for this transaction resulted in the following:

i) the consolidated financial statement of the combined entity are issued under the legal parent, Spyder Cannabis Inc., but are considered a continuation of the financial statements of the legal subsidiary, Spyder Vapes Inc.
(ii) As Spyder Vapes Inc. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.
iii) Since the shares allocated to the former shareholders of Anchor Capital Corporation Inc. on closing the RTO is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of Anchor Capital Corporation Inc. acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as a listing expense.

The fair value of the 4,514,000 common shares and 551,400 stock options for all of the Anchor Corporation Inc. was determined to $677,100 or $0.15 per common share and $76,252 respectively.

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

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

v) The company incurred additional listing expense of $ 249,100 on this transaction.

5. 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 years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Estimates

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. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant area of estimation uncertainty is the following:

Write-down of inventory

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 behaviour, and fluctuations in inventory levels.

Taxation

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

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

Deferred tax assets

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

Judgements

Judgements is used in situations when there is a choice and/or assessment required by management. The following are critical judgements apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Determination of Cash Generating Units ("CGUs")

For the purposes of assessing impairment of non-financial assets, the Company must determine CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. The determination of the Company's CGUs was based on management's judgement in regard to shared infrastructure, geographical proximity and similar exposure to market risk and materiality. The Company has 1 CGU at January 31, 2020 and 2019.

Contingencies

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

Stock-based compensation

The Company accounts for its stock-based compensation using the fair value method of accounting for stock options granted to directors and employees using the Black-Scholes option-pricing model. Stock-based compensation is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Consideration paid upon the exercise of stock options, together with corresponding amounts previously recognized in contributed surplus, is recorded as an increase to share capital. The amount recognized as expense is adjusted for an estimated forfeiture rate for options that will not vest, which is adjusted as actual forfeitures occur, until the shares are fully vested.

Convertible Debenture

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

6. Inventory

	2020	2019
Finished goods	**$ 151,845**	$ 155,426
Inventory obsolescence	**-**	-
	$ 151,845	$ 155,426

Inventories recognized as an expense and included in cost of sales during the year ended January 31, 2020 totaled $400,401 (2019 – $496,757).

7. Property and equipment

	Furniture and equipment		Computer equipment		Leasehold improvements		Website, signs and automobile		Total
Balance, January 31, 2018	52,967	$	18,788	$	145,163	$	76,231	$	293,149
Additions	-		2,441		-		2,800		5,241
Balance, January 31, 2019	52,967		21,229		145,163		79,031		298,390
Additions	28,598		1,060		154,600		6,548		190,806
Balance, January 31, 2020	**81,565**	**$**	**22,289**	**$**	**299,763**	**$**	**85,579**	**$**	**489,196**
Accumulated depreciation									
Balance, January 31, 2018	14,367	$	10,479	$	41,342	$	49,613	$	115,801
Charge for the year	7,719		3,224		29,032		6,142		46,117
Balance, January 31, 2019	22,086		13,703		70,374		55,755		161,918
Charge for the year	9,512		2,387		43,997		6,689		62,585
Balance, January 31, 2020	**31,598**	**$**	**16,090**	**$**	**114,371**	**$**	**62,444**	**$**	**224,503**
Net book value									
2019	30,881	$	7,526	$	74,789	$	23,276	$	136,472
2020	**49,967**	**$**	**6,199**	**$**	**185,392**	**$**	**23,135**	**$**	**264,693**

8. Right-of-use assets

Balance, February 1, 2019	$ 686,369
Additions in year	92,475
	778,844
Depreciation	125,031
Net Book Value, January 31, 2020	$ 653,813

9. Trade and other payables

	2020	2019
Accounts payable and accrued liabilities	**$ 312,020**	$ 136,900
Salaries payable	**38,000**	5,500
Accrued interest	**-**	106,292
	$ 350,020	$ 248,692

10. Loans payable

	2020	2019
Vehicle loan payable in monthly installments of $550, bearing 0% interest, maturity date of August 2021 and secured by related vehicle having a net book value of $8,440 (2019- $12,057)	**$ 10,461**	$ 17,069
Government Guaranteed bank loan payable in monthly installments of $1,530 including interest at prime plus 3% per annum. The loan is secured by a general security agreement and is guaranteed by 2 shareholders of the Company to a maximum of 25% of the original amount advanced	**47,687**	66,150
OnDeck payable daily, bearing interest at approximately 22% per annum, unsecured and due within seven months	**30,059**	-
Loans payable, interest bearing at 12% per annum, secured and due on demand.	**459,675**	-
	547,882	83,219
Less current portion	**501,494**	(24,967)
Balance, January 31	**$ 46,388**	$ 58,252

11. Development permit

On August 29, 2019, Spyder announced that it had entered into a purchase agreement with an arm's length third party to acquire the vendor's interest in a Development Permit issued by the City of Calgary for the operation of a Cannabis Retail Store and an assignment of the lease attached to such Development Permit, located at 104-58th Avenue SE, Calgary, Alberta. The purchase price for the Development Permit and assignment of the lease was set at $175,000, which was payable through the issuance of 3,000,000 Spyder Shares. The transaction was completed as contemplated on November 12, 2019. The Company incurred expenses of $9,100 related to the purchase and recovered $20,267 of security deposits that were part of the Development Permit.

12. Lease liabilities

As at January 31, 2020, The Company has entered into various lease agreements with payments of between $940 to $4,118 per month.

The Company has recorded the leases in existence at February 1, 2019 as a right-of-use asset (Note 8) and lease liabilities in the statement of financial position. 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. The lease payments are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate.

The continuity of the lease liability from February 1, 2019 is presented below:

Balance, January 31, 2019	$ -
Balance, February 1, 2019	686,369
Additions in the year	92,475
Interest expense	90,497
Lease payments	(153,679)
Balance, January 31, 2020	$ 715,662

Current portion of Lease liabilities	$ 123,596
Non-current lease liabilities	592,066
Balance January 31, 2020	$ 715,662

For the year ended January 31, 2020 finance costs on lease liabilities were recognized in the statement of comprehensive income and lease payments were recognized in the statement of cash flows.

13. Convertible debentures

During the year ended January 31, 2019, the Company issued the following Debentures:

a) the Company issued the final tranche of the convertible debenture offering announced in 2018 and issued $150,000 (3,000,000 debentures at $0.05) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to related and non-related counterparties. The convertible debentures were converted into common shares of the Company on May 31, 2019 at $0.05 per common share.

b)Issued $844,985 (8,449,850 debentures at $0.10) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to related and non-related counterparties. The convertible debentures were converted into common shares of the Company on May 31, 2019 at $0.10 per common share. Pursuant to this offering the Company paid cash finders' fees totaling $88,624 and incurred legal expenses totaling $43,505. In addition, the Company issued 387,493 finders' warrants. Each finders warrant is exercisable into a common share of the Company for $0.10 per share and also issued 387,493 finders' warrants. Each finders warrant is exercisable into a common share of the Company for $0.10 per share for a period of 2 years from issuance. The finders warrants were valued at $28,250 using a Black-Scholes option pricing model with the following assumptions: volatility of 154%, expected life of 2 years, risk-free interest rate of 1.60%, forfeiture rate of Nil, and expected dividend yield of 0%. The convertible debentures were converted into common shares of the Company on May 31, 2019 at $0.10 per common share.

On the initial recognition, management used the residual method to allocate the fair value of conversion option. Management calculated the fair value of the liability component as $810,575 using a discount rate of 22.5%, with the resulting residual amount of $184,410 (less deferred tax of $27,661) being the fair value of the conversion recorded in equity.

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

Debt component	$ 810,575
Conversion option recognized in equity	184,410
Net proceeds	$ 994,985

During the year ended January 31, 2020 the Company issued the following Debentures:

The Company completed a further tranche of the convertible debenture financing and issued $294,500 (1,963,333 debentures at $0.15) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to non-related counterparties. The convertible debentures are convertible into Units of the Company at a conversion price of $0.15 per Unit. Each Unit is comprised of one common share in the capital of the Company and one half of one common share purchase warrant (Note 16). The convertible debentures were converted into common shares of the Company on May 31, 2019 at $0.15 per common share.

The Debt component of the debentures is being accreted using the effective interest rate method:

	January 31 2020	January 31 2019
Opening balance	**$ 1,170,988**	$ 455,831
Issuance	**294,500**	810,575
Expense of issuance	**(1,000)**	(190,646)
Accretion	**29,100**	105,228
Converted to common shares	**(1,493,588)**	
Closing balance	**$ -**	$ 1,180,988

14. Share capital

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

	#	$
Balance, January 31, 2018	**7,300,000**	**730**
Shares issued (i)	420,000	42,000
Finders shares issued with convertible debentures (ii)	372,493	37,249
Balance, January 31, 2019	8,092,493	79,979
Conversion of debenture (iii)	1,963,333	293,500
Conversion of debenture (iv)	25,368,549	1,490,568
Issued for services (v)	86,956	10,000
RTO shares issued	4,514,000	677,100
Balance outstanding at date of Takeover (Note 1)	40,025,331	2,551,147
Issued for development permit (v)	3,000,000	175,000
Issued for services (v)	193,846	10,029
Balance January 31, 2020	**43,219,177**	**2,736,176**

(i) During 2019 the Company issued 420,000 common shares at $0.10 per share for cash proceeds of $42,000.

(ii) During 2019 the Company issued 372,493 Finders common shares at $0.10 per share for $37,249 (Note 13).

(iii) In May 2019 the Company converted secured debentures that were issued in May 2019 into common shares (Note 13).

(iv) In May 2019, the Company converted secured debentures that were issued in prior years into common shares (Note 13).

(v) During the year the company issued 280,802 common shares for services rendered and 3,000,000 common shares for the purchase of the Development permit (Note 11).

15. Share based payments

On September 1, 2017, the Company established a stock-based compensation plan (the "Plan") which provides for the granting of incentive share options, non-statutory share options, share appreciation rights, restricted share awards, restricted share unit awards, and other share awards (collectively "Share Awards") to selected directors, employees and consultants for a period of 5 years from the establishment of the Plan. The Plan is intended to help the Company secure and retain the services and provide incentives for increased efforts for the success of the Company.

The Board of Directors grants Share Awards from time to time based on its assessment of the appropriateness of doing so considering the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract key personnel, the number of Share Awards already outstanding and overall market conditions.

The number of common shares reserved for issuance under the Plan is fixed at a maximum of ten percent of issued and outstanding common shares (the "Share Reserve"). Repurchase or return of previously issued shares to the Plan increases the number of shares available for issue.

The fair value of options granted during the year ended January 31, 2019 was estimated on the date of the grant using the Black-Scholes option pricing model with the following:

Grant Date	**September 4, 2018**
Number of options granted	200,000
Grant date share price	$0.10
Exercise price	$0.10
Expected volatility	154%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.60%
Forfeiture rate	0%
Fair value option	$0.092

Grant Date	**October 10, 2018**
Number of options granted	500,000
Grant date share price	$0.10
Exercise price	$0.10
Expected volatility	154%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.60%
Forfeiture rate	0%
Fair value option	$0.092

Grant Date	**November 1, 2018**
Number of options granted	600,000
Grant date share price	$0.10
Exercise price	$0.10
Expected volatility	154%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.60%
Forfeiture rate	0%
Fair value option	$0.092

On the date of the RTO, the previously issued stock compensation for Anchor Capital Corporation was revalued and the estimated fair value of the compensation options was $76,252 using the Black-Scholes option pricing model with the following assumptions: dividend of $0.00; expected volatility of 154%; a risk-free interest rate of 1.38% and an expected term of approximately 5.5 years.

Total stock-based compensation recorded during the year ended January 31, 2020 was $ Nil (2019 - $119,379).
A summary of the Company's options outstanding at January 31 is as follows:

	2020			2019		
	Number	**Exercise Price**	**Remaining Contractual Life**	Number	Exercise Price	Remaining Contractual Life
Balance, beginning of the year	**3,300,000**	**0.05**	**3.03**	2,000,000	0.05	3.67
Issued and revaluatiion	**551,400**	**0.10**	**5.16**	1,300,000	0.10	4.71
Balance, end of the year	**3,851,400**	**0.07**	**3.33**	3,300,000	0.07	4.03
Exercisable, end of the year	**3,851,400**	**0.07**	**3.33**	3,300,000	0.07	4.03

At January 31, 2020, all 3,851,400 (2019 – 3,300,000) outstanding options are fully vested.

16. Warrants

In November 2018, the Company issued 387,493 warrants with an exercise price $0.10 expiring in November 2020. The estimated fair value of the warrants was $ 28,250 using the Black-Scholes option pricing model with the following assumptions: dividend of $0.00; expected volatility of 154%; a risk-free interest rate of 1.60% and an expected term of 2 years.

In May 2019, as part of the $1,963,333 debenture issue the Company issued 981,668 whole warrants with an exercise price $0.30 expiring in May 2021. The estimated fair value of the warrants was $ 70,148 using the Black-Scholes option pricing model with the following assumptions: dividend of $0.00; expected volatility of 154%; a risk-free interest rate of 1.62% and an expected term of 2 years. In addition, the Company issued 10,667 finder's warrants having an estimated fair value of $1,000. The estimated fair value of the finder's warrants was determined by using the Black-Scholes option priding model with the following assumptions: dividend of $0.00; expected volatility of 154%; a risk-free interest rate of 1.62% and an expected term of 2 years.

A summary of the Company's warrants outstanding at January 31 is as follows:

	2020			2019		
	Number	**Exercise Price**	**Remaining Contractual Life**	Number	Exercise Price	Remaining Contractual Life
Balance, beginning of the year	**387,493**	**0.10**	**0.83**	-	-	-
Granted	**992,335**	**0.30**	**1.30**	387,493	0.10	1.83
Balance, end of the year	**1,379,828**	**0.24**	**1.16**	387,493	0.10	1.83
Exercisable, end of the year	**1,379,828**	**0.10**	**1.16**	387,493	0.10	1.83

17. General administrative expenses

The break-down of the Company's general administrative expenses is as follows:

	2020	2019
Amortization (Note 7 & 8)	**$ 187,618**	$ 46,117
Professional fees	**318,232**	131,573
Rental	**132,394**	144,889
Salaries, wages and benefits	**427,015**	293,055
Stock-based compensation (Note 15)	**-**	119,379
Bank charges	**17,984**	15,525
Insurance	**14,202**	12,288
Lease walk-away	**13,617**	52,882
Telephone, website and Internet	**34,971**	25,178
General	**104,307**	77,138
	$ 1,250,340	$ 918,024

18. Finance charges

Finance charges are comprised of the following:

	2020	2019
Interest on loans payable and Right of use assets	**$ 100,482**	$ 9,324
Interest on convertible debentures	**44,291**	80,970
Accretion (Note 10)	**29,100**	105,228
	$ 173,873	$ 195,522

19. Taxes

The provision for income taxes differs from the result that would have been obtained by applying the consolidated federal and provincial tax rates to the income before taxes. The difference results from the following items:

	2020	2019
Income (loss) before taxes	**$ (2,179,169)**	$ (648,059)
Statutory income tax rate (%)	**26.50 %**	14.92 %
Expected taxes at statutory rate	**(577,480)**	(96,690)
Changes in taxes resulting from:		
Non-deductible items and other	**107,692**	39,653
Deferred tax assets not recognized	**551,328**	29,376
Change in income tax rates	**(81,540)**	-
Deferred tax recovery	**$ -**	$ (27,661)

Deferred Tax Assets (Liabilities)	2020	2019
Property and equipment	**$ -**	$ 3,918
Non-capital losses	**-**	18,530
Convertible debt	**-**	5,213
Deferred tax asset (liability)	**$ -**	$ 27,661

The following table provides details of the unrecognized deductible temporary differences and unused losses which no deferred tax asset has been recognized:

Unrecognized Deductible Temporary Differences	2020	2019
Non-capital losses	**$ 1,693,850**	$ 652,148
Financing costs	**246,000**	52,000
Property and equipment	**101,935**	-
Unrecognized Deductible Temporary Differences	**$ 2,041,785**	$ 704,148

The Company's non-capital losses carried forward expire between 2035 and 2040. Deferred income tax assets were not recognized in respect of these items because, as at January 31, 2020, it was not probable that sufficient future taxable income will be available to the Company to utilize the benefits.

20. Capital management

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to its shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and,
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. the Company is not subject to any externally imposed capital requirements or covenants.

The Company's capital structure consists of equity and working capital. In order to maintain or alter the capital structure, the Company may adjust capital spending, raise new debt and issue share capital.

21. Financial management and risk assessment

Fair value

Financial instruments of the Company consist of cash, trade and other payables, advances to/from shareholders', convertible debentures and loans payable. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the statements of financial position and their estimated fair values due to the short-term nature of these items. The convertible debentures and loans payable approximate their fair value as terms and conditions represent market terms and conditions.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk

The Company is exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its loans payable balance which accrues interest at a variable rate. Fluctuations in market rates do not have a significant impact on the Company's results of operations.

Credit risk

The Company is exposed to credit risk on its cash balance which is held with reputable financial institutions. As at January 31, 2020, management considered the Company's credit risk in relation to such financial assets to be low.

Liquidity risk

The Company is exposed to liquidity risk. Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they fall due. the Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. the Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing.

Undiscounted contractual cash outflow of financial liabilities based on maturity date are as follows:

January 1, 2020		1 year		2 to 5 years		>5 years		Total
Trade and other payables	$	350,020	$	-	$	-	$	350,020
Loans payable		501,494		46,388		-		547,882
	$	851,514	$	46,388	$	-	$	897,902

January 1, 2019		1 year		2 to 5 years		>5 years		Total
Trade and other payables	$	248,692	$	-	$	-	$	248,692
Loans payable		24,967		58,252		-		83,219
Convertible debentures		-		1,517,895		-		1,517,895
	$	273,659	$	1,576,147	$	-	$	1,849,806

Foreign currency risk

Foreign exchange risk arises from the changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. For the Company, it is the Canadian dollar denominated expenditures which presents the risk as the cash flows are denominated in Canadian dollars. An increase in the value of the Canadian dollar as compared to the US dollar will increase the net cash outflow relating to expenditures.

22. Related party transactions

Key management personnel compensation

The Company defines key management personnel as being the Chief Executive Officer and Chief Financial Officer. the Company does not provide non-cash benefits to the key management.

Key management compensation for the years ended January 31 is as follows:

		2020		2019
Stock-based compensation	**$**	**-**	**$**	**18,366**
Salaries and other short-term employee benefits		**62,400**		**62,400**

Other related party transactions and balances in the normal course of business:

a) During the year the company paid professional and consulting fees in the amount of $60,000 to Peldren Holdings Inc. a company controlled by the CFO.

b) Included in the total Convertible debentures issued in 2019 are amounts with a face value of $323,000 issued to related parties. These related parties are identified below along with the interest paid on these debentures in 2020.

i. $285,000 debenture to the spouse of the CFO and interest paid on this debenture of approximately $11,875 in 2020.
ii. $5,000 debenture to one of the son's of the CFO and interest paid on this debenture of approximately $ 200.
iii. $23,000 debenture to the CFO and interest paid on this debenture of approximately $960.
iv. $10,000 debenture to the CEO and interest paid on this debenture of approximately $400 in 2020.

c) Included in loans payable (Note 10) are the following amounts due to related parties:

i. $60,000 payable to Peldren Holdings Inc., a company controlled by the CFO.
ii. $167,675 payable to the CFO.
iii. $20,000 payable to the CEO.

23. Commitments

Leases

the Company has commitments relating to operating leases for its retail locations under non-cancelable operating lease. The future minimal annual rental payments under these operating leases are as follows:

As at January 31,	2020
One year	$ 254,134
Between two and five years	698,601
More than five years	292,423
	$ 1,245,158

24. Subsequent events

Cannabis Retail Operator License

On May 12, 2020 the Company through its wholly-owned associated applicant, Spyder Cannabis Subco Inc., received a Cannabis Retail Operator License from the Alcohol and Gaming Commission of Ontario. On June 28, 2020 the Company received it's Cannabis Retail Authorization, located at 6474 Lundy's Lane, Niagara Falls, Ontario.

Conditional License.

On May 5, 2020 the Company through its wholly-owned associated applicants Spyder Cannabis Inc. and The Green Spyder Inc., received a conditional license from the Alberta Gaming, Liquor and Cannabis Commission to open a cannabis store located at 104-58th Avenue, SE, Calgary, Alberta. The company is waiting for the final license to be issued.

APPENDIX "B"

DELOTA CORP.'S MANAGEMENT DISCUSSION & ANALYSIS

(As at and for the nine months ended October 31, 2022, and for the years ended January 31, 2022, January 31, 2021, and January 31, 2020)

[See attached.]

Delota Corp.

(Formerly, Spyder Cannabis Inc.)

Management's Discussion and Analysis

For the Three and Nine Months Ended October 31, 2022 and 2021

Prepared as at December 30, 2022

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") reflects management's assessment of Delota Corp.'s (formerly, Spyder Cannabis Inc.) ("Delota" or the "Company") financial and operating results for the three and nine months ended October 31, 2022. This document should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended October 31, 2022 and annual audited consolidated financial statements for the year ended January 31, 2022. The Company's consolidated financial statements and the financial information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC").

This MD&A is prepared by management as at December 30, 2022. All amounts are expressed in Canadian dollars, unless otherwise noted.

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

Disclaimer

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

Overview

Nature of Business

Delota Corp. (formerly, Spyder Cannabis Inc.) was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on February 20, 2014. The Company's common shares currently trade 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.

Delota is an established cannabis and vape retailer that owns and operates a portfolio of Canadian retail brands well-positioned to capitalize on the evolving cannabis and nicotine retail sectors.

The Company's goal is to build the most popular and beloved retail cannabis and nicotine brands in Canada by aggressively growing its footprint and developing retail banners that resonate with a loyal and growing customer base.

About 180 Smoke

180 Smoke is Ontario's largest specialty vape chain with 28 retail locations across the province and a leading Canada-wide e-commerce presence. 180 Smoke has over 130,000 in-store accounts at its brick-and-mortar locations and over 190,000 online accounts through its e-commerce platform. Unlike other specialty vape retailers, 180 Smoke has secured "store within a store" relationships with big tobacco to have experiential hubs for their products.

About Offside Cannabis

Offside Cannabis is a value-centered dispensary brand providing retail and online services. Offside Cannabis believes in boutique bud products and services at big box bud prices – ultimately, Offside Cannabis aims to provide its customers with good value for their dollar. There are currently five licensed locations in Niagara Falls (2), Pickering, Port Perry and Hamilton.

Overall Performance

On May 31, 2019, the Company completed the acquisition of Spyder Vapes Inc. ("Spyder Vapes"), a privately held company incorporated on August 18, 2014. The Company acquired all of the issued and outstanding common shares of Spyder Vapes through a reverse takeover transaction (the "RTO"), which was affected pursuant to a merger agreement between Anchor Capital Corporation and Spyder Vapes Inc. The Company, as the resulting issuer, changed its name from "Anchor Capital Corporation" to "Spyder Cannabis Inc." which has subsequently been changed to "Delota Corp." on November 17, 2021.

On June 11, 2019, the Company's common shares began trading on the TSX-V. The Company's common shares currently trade on the TSX-V under the symbol "LOTA".

On August 29, 2019, the Company announced it had entered into a purchase agreement with an arm's length party to acquire an interest in a development permit (the "Development Permit"). The net costs incurred to acquire the Development Permit amounted to $163,833. The consideration was paid by an issuance of 600,000 common shares of the Company amounting to $175,000, net of cash recovery of $11,167. The transaction was completed on November 12, 2019.

On May 12, 2020, the Company announced that its wholly-owned subsidiary, Spyder Cannabis Subco Inc.

(“Spyder Subco”), received its cannabis *Retail Operator License* from the Alcohol and Gaming Commission of Ontario (the “AGCO”).

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

On July 29, 2020, the Company announced that its wholly-owned subsidiary, The Green Spyder Inc. (the “Green Spyder”), received its *Retail Cannabis Store License* from the Alberta Gaming, Liquor and Cannabis Commission (the “AGLC”) for its cannabis dispensary located at 104-58th Avenue SE, Calgary, Alberta. The dispensary opened for business on September 26, 2020 and was subsequently closed due to the COVID-19 pandemic. Effective August 31, 2021, the Green Spyder surrendered the premise to focus its operations in Ontario.

On August 24, 2020, the Company completed a debt settlement transaction, pursuant to which it issued, to certain creditors of the Company, an aggregate of 774,400 common shares of the Company at a price of $0.25 per common share in settlement of an aggregate of $193,600 in indebtedness of the Company.

On February 17, 2021, and in connection with options previously issued, options for the purchase of 35,100 common shares of the Company were exercised at a price of $0.50 per common share for total gross proceeds of $17,550.

On March 16, 2021, the Company completed a debt settlement transaction (the “Debt Settlement”), pursuant to which the Company issued, to certain creditors of the Company, an aggregate of 1,993,333 common shares of the Company, at a deemed 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 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.

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

On April 1, 2021, the Company completed a non-brokered private placement offering (the “Offering”) through the issuance of 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. 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 for a minimum of 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants requiring them to exercise such Warrants within 30 days following the date of issuance of such written notice. A director of the Company participated in the Offering and received 30,000 Units for an aggregate subscription of $10,125.

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

On May 17, 2021, and in connection with options previously issued, options for the purchase of 400,000 common shares of the Company were exercised at a price of $0.25 per common share for total gross proceeds of $100,000.

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

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

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

On September 17, 2021, the Company completed a 5 to 1 share consolidation.

On September 27, 2021, the Company announced that Spyder Subco received *Retail Store Authorization* from the AGCO for its cannabis dispensary located at 767 Taunton Road, Oshawa, Ontario. This location continues to operate as a 180 Smoke vape store.

On October 14, 2021, the Company announced the launch of Offside Cannabis, a retail dispensary brand dedicated to providing cannabis consumers with affordable prices and high-quality customer service.

On November 3, 2021, the Company announced that Spyder Subco received *Retail Store Authorization* from the AGCO for its cannabis dispensary located at 5719 Victoria Avenue, Niagara Falls, Ontario. The dispensary opened for business on February 4, 2022 and currently operates under the Offside Cannabis brand.

On November 17, 2021, the Company changed its name from "Spyder Cannabis Inc." to "Delota Corp." In connection with the name change, the Company began trading on the TSX-V under its new name and ticker symbol "LOTA" on November 22, 2021.

On March 30, 2022, the Company acquired all of the issued and outstanding common shares of 2766563 Ontario Inc. ("276 Ontario") from the shareholders of 276 Ontario for an aggregate purchase price of $3,000,000, which the Company satisfied through the issuance of an aggregate of 12,000,001 common shares of the Company, at a price of $0.25 per common share. 276 Ontario was led by Plant-Based Investment Corp. and held a $11,129,172 promissory note owing from 180 Smoke. As a result of the acquisition of 276 Ontario, the Company's promissory note held with 276 Ontario is eliminated on consolidation.

On May 19, 2022, Spyder Subco received *Retail Store Authorization* from the AGCO for its cannabis dispensary located at 1033 King Street West, Hamilton, Ontario. The dispensary opened for business on June 3, 2022 and currently operates under the Offside Cannabis brand.
On May 26, 2022, the Company opened a 180 Smoke Vape Store located at 41 William Street, Unit B, Ottawa, Ontario.

On July 28, 2022, the Company opened a 180 Smoke Vape Store located at 429 Spadina Avenue, Floor 2, Toronto, Ontario.

On July 29, 2022, the Company announced that an outstanding secured loan, in the principal amount of $200,000, between the Company and an independent third party has been assigned to a corporation controlled by the Chief Executive Officer of the Company.

On September 26, 2022, the Company opened a 180 Smoke Vape Store located at 209860 Highway 26, Blue Mountains, Ontario.

On October 17, 2022, 180 Smoke received *Vaping Product License* from the Canadian Revenue Agency, allowing the Company to continue to manufacture its owned and co-branded vaping products in Canada.

On November 4, 2022, Spyder Subco received *Retail Store Authorization* from the AGCO for its cannabis dispensary located at 693 Queen Street, Port Perry, Ontario. The dispensary opened for business on November 18, 2022 and currently operates under the Offside Cannabis brand.

Selected Financial Information

The following table summarizes financial information for the three months ended October 31, 2022 and the preceding seven quarters:

Quarter Ended	Oct 31, 2022	Jul 31, 2022	Apr 30, 2022	Jan 31, 2022	Oct 31, 2021	Jul 31, 2021	Apr 30, 2021	Jan 31, 2021
	$	$	$	$	$	$	$	$
Revenue	6,758,167	6,480,978	5,785,867	5,578,185	5,351,308	4,731,417	2,024,938	670,929
Net income (loss) from continuing operations	(4,459)	(67,281)	7,944,912	(7,374,570)	(451,654)	(801,276)	(217,470)	(397,415)
Net income (loss) per share – basic	(0.00)	(0.01)	0.42	(0.54)	(0.03)	(0.06)	(0.02)	(0.04)

Results of Operations for the Three and Nine Months Ended October 31, 2022

The condensed interim consolidated financial statements of the Company have been prepared using IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. As a result, within the next twelve months, the Company will need to generate positive cash flows from operations, and/or obtain additional equity or debt financing in order to meet its liabilities as they come due and to continue with its business activities. The condensed interim consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations. Accordingly, the Company's condensed interim consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Operations

The following table summarizes the Company's revenue, cost of goods sold, gross profit, expenses and net income (loss) and comprehensive income (loss) for the three and nine months ended October 31, 2022 and 2021:

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	**Nine Months Ended October 31, 2022**	Nine Months Ended October 31, 2021
	$	$	**$**	$
Revenue	**6,758,167**	5,351,308	**19,025,012**	12,107,663
Cost of goods sold	**3,420,387**	2,957,731	**9,850,587**	6,842,340
Gross profit	**3,337,780**	2,393,577	**9,174,425**	5,265,323
Expenses				
General and administrative expenses	**3,139,954**	2,670,724	**8,743,465**	6,397,131
Finance charges	**213,289**	228,144	**668,622**	580,117
Total expenses	**3,353,243**	2,898,868	**9,412,087**	6,977,248
Loss before other income (expenses)	**(15,463)**	(505,291)	**(237,662)**	(1,711,925)
Other income	**55,226**	53,637	**114,330**	241,525
Amortization of intangible assets - trade name	**(60,167)**	-	**(180,500)**	-
Gain on acquisition	**-**	-	**8,129,171**	-
Profit (loss) before income taxes recovery	**(20,404)**	(451,654)	**7,825,339**	(1,470,400)
Deferred tax recovery	**15,945**	-	**47,833**	-
Net income (loss) and comprehensive income (loss)	**(4,459)**	(451,654)	**7,873,172**	(1,470,400)
Net income (loss) per share - basic	**(0.00)**	(0.03)	**0.32**	(0.11)
Net income (loss) per share - diluted	**(0.00)**	(0.03)	**0.28**	(0.11)
Weighted average number of shares outstanding - basic	**26,809,615**	14,809,614	**24,294,909**	13,695,315
Weighted average number of shares outstanding - diluted	**26,809,615**	14,809,614	**27,992,865**	13,695,315

Revenue

Total revenue for the three and nine months ended October 31, 2022 amounted to $6,758,167 and $19,025,012, respectively, as compared to $5,351,308 and $12,107,663, respectively, for the three and nine months ended October 31, 2021. The increase in revenue during the three and nine months ended October 31, 2022 as compared to 2021 was primarily attributable to the acquisition of 180 Smoke completed on March 30, 2021 and overall increased sales of 180 Smoke and Offside Cannabis.

Cost of goods sold

Costs of goods sold for the three and nine months ended October 31, 2022 amounted to $3,420,387 and $9,850,587, respectively, as compared to $2,957,731, and $6,842,340, respectively, for the three and nine months ended October 31, 2021. The increase in cost of goods sold during the three and nine months ended October 31, 2022 as compared to 2021 was attributable to increased revenue as discussed above.

Gross profit

Gross profit for the three and nine months ended October 31, 2022 amounted to $3,337,780 and $9,174,425, respectively, as compared to $2,393,577 and $5,265,323, respectively, for the three and nine months ended October 31, 2021.

General and administrative expenses

General and administrative expenses for the three and nine months ended October 31, 2022 and 2021 were comprised of the following:

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	**Nine Months Ended October 31, 2022**	Nine Months Ended October 31, 2021
	$	$	**$**	$
Salaries and wages	**1,512,922**	1,220,951	**4,323,637**	3,025,894
Stock-based compensation	**-**	-	**-**	108,522
Rent and utilities	**247,004**	234,858	**770,440**	536,703
Delivery	**157,816**	153,830	**428,942**	388,044
Office and general	**518,785**	286,466	**1,467,590**	758,576
Professional fees	**114,329**	235,119	**209,660**	345,634
Advertising and promotion	**139,511**	97,042	**224,523**	201,038
Repairs and maintenance	**41,160**	61,633	**175,503**	87,881
Foreign exchange loss (gain)	**26,900**	(2,100)	**35,750**	6,981
Impairment of right-of-use assets	**-**	-	**-**	43,392
Depreciation	**75,499**	74,999	**191,265**	170,473
Depreciation of right-of-use assets	**290,798**	292,696	**870,961**	688,401
Amortization	**15,230**	15,230	**45,194**	35,592
	3,139,954	2,670,724	**8,743,465**	6,397,131

Salaries and wages

Salaries and wages expense for the three and nine months ended October 31, 2022 amounted to $1,512,992 and $4,323,637, respectively, as compared to $1,220,951 and $3,025,894, respectively, for three and nine months ended October 31, 2021. The increase in salaries and wages expense during the three and nine months ended October 31, 2022 as compared to 2021 was primarily attributable to the acquisition of 180 Smoke and new staff required to support the Company's growing retail footprint.

Stock-based compensation

Stock-based compensation expense for the three and nine months ended October 31, 2022 amounted to $nil as compared to $nil and $108,522, respectively, for the three and nine months ended October 31, 2021. Stock-based compensation expense for the three and nine months ended October 31, 2021 was in relation to the issuance of options under the Company's stock option plan issued to officers and employees of the Company.

Rent and utilities

Rent and utilities expense for the three and nine months ended October 31, 2022 amounted to $247,004 and $770,440, respectively, as compared to $234,858 and $536,703, respectively, for three and nine months ended October 31, 2021. The increase in rent and utilities expense during the three and nine months ended October 31, 2022 as compared to 2021 was attributable to the Company's increased retail footprint consisting of 180 Smoke and Offside Cannabis retail stores.

Delivery

Delivery expense for the three and nine months ended October 31, 2022 amounted to $157,816 and $428,942, respectively, as compared to $153,830 and $388,044, respectively, for the three and nine months ended October 31, 2021. Delivery expense relates to delivery costs associated with 180 Smoke's e-commerce platform.

Office and general

Office and general expense for the three and nine months ended October 31, 2022 amounted to $518,785 and $1,467,590, respectively, as compared to $286,466 and $758,576, respectively, for three and nine months ended October 31, 2021. The increase in office and general expense during the three and nine months ended October 31, 2022 as compared to 2021 was primarily attributable to the acquisition of 180 Smoke and the Company's overall increased business activity to support its growing retail footprint.

Professional fees

Professional fees for the three and nine months ended October 31, 2022 amounted to $114,329 and $209,660, respectively, as compared to $235,119 and $345,634, respectively, for the three and nine months ended October 31, 2021. The decrease in professional fees during the three and nine months ended October 31, 2022 as compared to 2021 was a result of the comparative periods having professional fees associated with the closing of the acquisition of 180 Smoke which were non-recurring in nature.

Advertising and promotion

Advertising and promotion expense for the three and nine months ended October 31, 2022 amounted to $139,511 and $224,523, respectively, as compared to $97,042 and $201,038, respectively, for the three and nine months ended October 31, 2021. Advertising and promotion expense is attributable to marketing efforts in relation to 180 Smoke and Offside Cannabis brand.

Repairs and maintenance

Repairs and maintenance expense for the three and nine months ended October 31, 2022 amounted to $41,160 and $175,503, respectively, as compared to $61,633 and $87,881, respectively, for the three and nine months ended October 31, 2021. Repairs and maintenance expense is attributable to general repairs and maintenance required on the Company's property and equipment.

Foreign exchange loss (gain)

The Company recorded a foreign exchange loss of $26,900 and $35,750, respectively, for the three and nine months ended October 31, 2022 as compared to a foreign exchange gain of $2,100 and a foreign exchange loss of $6,981, respectively, for the three and nine months ended October 31, 2021. Foreign exchange gains and losses are a result of exchange rate fluctuations related to transactions based in United States Dollars.

Impairment of right-of-use assets

The Company recorded an impairment of right-of use assets of $nil for the three and nine months ended October 31, 2022 as compared to $nil and $43,392, respectively, for the three and nine months ended October 31, 2021. The impairment of right-of-use assets for the three and nine months ended October 31, 2021 relates to the derecognition of one of the Company's right-of-use assets.

Depreciation

Depreciation expense for the three and nine months ended October 31, 2022 amounted to $75,499 and $191,265, respectively, as compared to $74,999 and $170,473, respectively, for three and nine months ended October 31, 2021. Depreciation expense relates to the Company's property and equipment located at the Company's leased premises. The increased depreciation expense for the three and nine months ended October 31, 2022 is attributable to property and equipment acquired from the acquisition of 180 Smoke and property and equipment additions to new Offside Cannabis dispensary locations and 180 Smoke retail locations.

Depreciation of right-of-use assets

Depreciation of right-of-use assets for the three and nine months ended October 31, 2022 amounted to $290,798 and $870,961, respectively, as compared to $292,696 and $688,401, respectively, for the three and nine months ended October 31, 2021. Depreciation of right-of-use assets relates to depreciation on the Company's long-term leases. The depreciation of right-of-use assets for the respective periods is in relation to long-term leases the Company acquired in the acquisition of 180 Smoke and net new leases signed to support the Company's growing retail footprint.

Amortization

Amortization expense for the three and nine months ended October 31, 2022 amounted to $15,230 and $45,194, respectively, as compared to $15,230 and $35,592, respectively, for the three and nine months ended October 31, 2021. Amortization expense relates to amortization of the Company's website and ERP.

Finance charges

Finance charges for the three and nine months ended October 31, 2022 and 2021 were comprised of the following:

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	**Nine Months Ended October 31, 2022**	Nine Months Ended October 31, 2021
	$	$	**$**	$
Interest on loans payable	**35,603**	27,448	**109,021**	90,032
Interest on lease liabilities	**172,588**	195,592	**544,905**	475,372
Accretion	**5,098**	5,104	**14,696**	14,713
	213,289	228,144	**668,622**	580,117

Interest on loans payable

Interest on loans payable for the three and nine months ended October 31, 2022 amounted to $35,603 and $109,021, respectively, as compared to $27,448 and $90,032, respectively, for three and nine months ended October 31, 2021. Interest on loans payable is attributable to interest charged on loans bearing interest between twelve to twenty-four percent per annum.

Interest on lease liabilities

Interest on lease liabilities for the three and nine months ended October 31, 2022 amounted to $172,588 and $544,905, respectively, as compared to $195,592 and $475,372, respectively, for three and nine months ended October 31, 2021. Interest on lease liabilities relates to the interest expense on the Company's long-term leases. The interest on lease liabilities during respective periods is attributable to long-term leases of the Company acquired in the acquisition of 180 Smoke and additional leases entered into for continued growth of the Company's retail footprint.

Accretion

Accretion expense for the three and nine months ended October 31, 2022 amounted to $5,098 and $14,696, respectively, as compared to $5,104 and $14,713, respectively, for the three and nine months ended October 31, 2021. Accretion expense relates to the accretion of the Company's government loans.

Total Expenses

During the three and nine months ended October 31, 2022, the Company recorded total expenses of $3,353,243 and $9,412,087, respectively, as compared to $2,898,868 and $6,977,248 respectively, during the three and nine months ended October 31, 2021.

Other income

Other income during the three and nine months ended October 31, 2022 amounted to $55,226 and $114,330, respectively, as compared to $53,637 and $241,525, respectively, for the three and nine months ended October 31, 2021. Other income relates to commission income and miscellaneous revenues earned.

Amortization of intangible assets – trade name

Amortization of intangible assets – trade name for the three and nine months ended October 31, 2022 amounted to $60,167 and $180,500, respectively, as compared to $nil for the three and nine months ended October 31, 2021. Amortization of intangible assets – trade name relates to the amortization of the Company's intangible asset acquired as part of the acquisition of 180 Smoke.

Gain on acquisition

Gain on acquisition for the three and nine months ended October 31, 2022 amounted to $nil and $8,129,171, respectively, as compared to $nil for the three and nine months ended October 31, 2021. The gain on acquisition is as a result of the acquisition of 276 Ontario. The Company held a promissory note with 276 Ontario which was eliminated on consolidation resulting in the gain during the nine months ended October 31, 2022.

Deferred tax recovery

Deferred tax recovery for the three and nine months ended October 31, 2022 amounted to $15,945 and $47,833, respectively, as compared to $nil for the three and nine months ended October 31, 2021. Deferred tax recovery for the three and nine months ended October 31, 2022 relates to the decrease in the difference between the temporary difference of the acquired trade name as a result of the amortization recorded on the respective trade name during the period.

Net Income (Loss) and Comprehensive Income (Loss)

During the three and nine months ended October 31, 2022, the Company recorded a net loss and comprehensive loss of $4,459 and net income and comprehensive income of $7,873,172, respectively, as compared to a net loss and comprehensive loss of $451,654 and $1,470,400, respectively, for the three and nine months ended October 31, 2021.

Liquidity and Capital Resources

As at October 31, 2022, the Company had total assets of $13,930,769 (January 31, 2022 – $13,405,060) consisting of cash of $1,012,752, accounts receivable of $1,453,658, inventory of $1,856,093, prepaid expenses of $283,749, intangible assets of $375,235, property and equipment of $1,110,336, right-of-use assets of $4,610,002 and intangible assets – trade name of $3,228,944.

As at January 31, 2022, the Company had total assets of $13,405,060 consisting of cash of $1,010,354, accounts receivable of $831,075, inventory of $1,465,226, prepaid expenses of $195,783, intangible assets of $420,429, property and equipment of $1,034,785, right-of-use assets of $5,037,964 and intangible assets – trade name of $3,409,444.

As at October 31, 2022, the Company had total liabilities of $11,572,719 (January 31, 2022 – $21,920,182) consisting of trade and other payables of $2,848,856, harmonized sales tax payable of $658,676, current lease liabilities of $877,936, current contract liability of $124,507, current loans payable of $844,114, non-current lease liabilities of $4,903,796, non-current contract liability of $285,535, government loan of $173,629 and deferred tax liability of $855,670.

As at January 31, 2022, the Company had total liabilities of $21,920,182 consisting of trade and other payables of $2,077,166, harmonized sales tax payable of $448,109, current lease liabilities of $590,260, current contract liability of $109,241, current loans payable of $749,377, current promissory note of $11,129,171, non-current lease liabilities of $5,489,856, non-current contract liability of $264,566, government loan of $158,933 and deferred tax liability of $903,503.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities for the nine months ended October 31, 2022 amounted to $1,496,515 as compared to $193,616 for the nine months ended October 31, 2021 due to the reasons discussed above.

Cash Flows Provided by and Used in Financing Activities

The Company used cash flows in financing activities in the amount of $1,227,300 during the nine months ended October 31, 2022 as compared to cash flows provided by financing activities in the amount of $314,590 during the nine months ended October 31, 2021. During the nine months ended October 31, 2022, the Company received net proceeds from loans payable in the amount of $58,988 (October 31, 2021 – $226,495), received net proceeds from its private placement in the amount of $nil (October 31, 2021 – $960,885), received proceeds from the exercise of stock options in the amount of $nil (October 31, 2021 – $117,550) and paid $1,286,288 (October 31, 2021 – $990,340) towards the Company's lease obligations.

Cash Flows Used in Investing Activities

During the nine months ended October 31, 2022, the Company purchased property and equipment in the amount of $266,817 (October 31, 2021 – $28,482) and received proceeds from the disposition of property and equipment in the amount of $nil (October 31, 2021 – $12,623).

Summary

During the nine months ended October 31, 2022, the Company had net income of $7,873,172 (October 31, 2021 – net loss of $1,470,400), had an accumulated deficit of $5,621,853 (January 31, 2022 – $13,495,025) as at October 31, 2022 and had a working capital deficiency of $747,837 (January 31, 2022 – $11,600,886) as at October 31, 2022.

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

The Company 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 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 October 31, 2022 and January 31, 2022, the Company's 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.

Outstanding Share Data

There were 26,809,615 common shares of the Company issued and outstanding as at October 31, 2022 and December 30, 2022, being the date of this report. There were Options for the purchase of 735,000 common shares of the Company and share purchase warrants for the purchase of 2,962,956 common shares of the Company issued and outstanding as at October 31, 2022 and December 30, 2022, being the date of this report.

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	
Assets acquired	
Cash and cash equivalents	**288,546**
Accounts receivable	**368,727**
Prepaid expenses and deposits	**176,143**
Inventory	**1,279,735**
Property, plant and equipment	**955,131**
Intangible assets	**463,096**
Right-of-use assets	**5,201,946**
Total assets	**8,733,324**
Liabilities assumed	
Accounts payable and accrued liabilities	**1,026,407**
Income taxes payable	**5,767**
Contract liability	**261,302**
Lease liabilities	**5,883,989**
Total liabilities	**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 allocated to 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.

Share Capital

Common Shares

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 acquisition of 276 Ontario	12,000,001	3,000,000
Balance, October 31, 2022	**26,809,615**	**7,528,481**

During the nine months ended October 31, 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.

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. Such shares were issued to directors of the Company;
- On April 1, 2021, the Company completed a non-brokered private placement offering (the "Offering") through the issuance of 2,962,956 units ("Units") of the Company, at a price of $0.3375 per Unit, for total gross proceeds of approximately $1,000,000. In connection with the Offering, share issuance costs of $39,115 were recorded. Each Unit consisted of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.675 per common share at any time prior to the earlier of: (i) April 1, 2023; or (ii) in the event that the closing price of the Company's common shares on the TSX-V is at least $1.00 per share for a minimum of 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants accelerating the expiry date of such Warrants to be 30 days following the date of such written notice. A director of the Company participated in the Offering and received 30,000 Units for an aggregate subscription of $10,125;
- On March 16, 2021, the Company completed a debt settlement transaction pursuant to which the Company issued, to certain creditors of the Company, an aggregate of 1,993,333 common shares of the Company, at a deemed 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 into share capital.

Preferred shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. The preferred shares may be issued in one or more series at the discretion of the Company's board of directors who are authorized to fix the number of preferred shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series. As at October 31, 2022 and 2021, no preferred shares were issued and outstanding.

Warrants

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

	October 31, 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	0.30
Expired	-	-	-	(198,467)	1.50	-
Granted (expired)	-	-	-	2,962,956	0.68	2.00
Balance, end of the period	2,962,956	0.68	0.42	2,962,956	0.68	1.50
Exercisable, end of the period	**2,962,956**	**0.68**	**0.42**	2,962,956	0.68	1.50

The Company did not issue any common share purchase warrants during the nine months ended October 31, 2022.

During the nine months ended October 31, 2021, the Company issued 2,962,956 common share purchase warrants as disclosed in Note 16.

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 October 31, 2022 and January 31, 2022 are as follows:

	October 31, 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	2.09	735,000	0.50	3.08
Exercisable, end of the period	**735,000**	**0.50**	**2.09**	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

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	4 years
Estimated volatility in the market price of the common shares	159%
Dividend yield	$Nil

During the three and nine months ended October 31, 2022, the Company expensed $nil (October 31, 2021 – $nil and $108,522, respectively) in the fair value of Options as a result of the above issuance which has been recorded as stock-based compensation.

Related Party Transactions

Key management personnel compensation

The Company defines key management personnel as the officers and directors of the Company. Key management compensation during the three and nine months ended October 31, 2022 and 2021 is as follows:

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	**Nine Months Ended October 31, 2022**	Nine Months Ended October 31, 2021
	$	$	**$**	$
Salaries and other short-term employee benefits	**153,250**	156,225	**462,993**	327,429
Share-based compensation expense	**-**	-	**-**	94,825
Car allowance paid to director	**4,950**	13,500	**9,450**	13,500
Director fees	**13,500**	-	**40,500**	-
	171,700	169,725	**512,943**	435,754

During the three and nine months ended October 31, 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) $54,000 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.

On July 29, 2022, an outstanding secured loan in the principal amount of $200,000, between the Company and an independent third party was assigned to a corporation controlled by the Chief Executive Officer of the Company, Cameron Wickham (the “Related Loan”). This amount has been reflected in loans payable. This loan is secured, bears interest at a nominal rate of 21.70% per annum, and due on demand. During the three and nine months ended October 31, 2022, interest on the Related Loan amounted to $10,939 and $11,177, respectively (October 31, 2021 – $nil).

Loans Payable

Loans payable are comprised of the following:

	October 31, 2022	January 31, 2022
	$	$
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	**14,496**	23,227
Loans payable, interest bearing at rates between 12% - 24% per annum, interest only payments, monthly, secured and due on demand.	**829,618**	726,150
Balance, October 31, 2022 and January 31, 2022	**844,114**	749,377

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 nine months ended October 31, 2022.

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.

During the three and nine months ended October 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 three and nine months ended October 31, 2022 amounted to $5,098 and $14,696, respectively, (October 31, 2021 – $5,104 and $14,713, respectively). As at October 31, 2022, the fair value of the CEBA Loan amounted to $173,629 (January 31, 2022 - $158,933).

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 and nine months ended October 31, 2022, the Company has received $nil (October 31, 2021 – $nil and $111,016, respectively) 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.

Off Balance Sheet Arrangements

As at October 31, 2022, the Company had no material off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Significant Accounting Policies

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

New Accounting Pronouncements

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of these amendments on the Company’s consolidated financial statements.

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that the ‘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. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company’s consolidated financial statements.

Amendments to IFRS 9: Financial Instruments

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is currently evaluating the potential impact of these amendments on the Company’s consolidated financial statements.

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.; and Spyder Cannabis Subco Inc. and its wholly-owned subsidiaries: Spyder Vapes Inc., Spyder Vapes (East) Inc., Spyder Vapes (Appleby) Inc., and The Green Spyder Inc. and its wholly-owned subsidiaries: The Green Spyder (Pickering) Inc., The Green Spyder (Lundy’s) Inc. and The Green Spyder IP Inc. All inter-company transactions, balances and unrealized gains and losses on transactions between these subsidiaries are eliminated upon consolidation.

Significant accounting judgements and estimates

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Estimates and judgements

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Judgements are used in situations when there is a choice and/or assessment required by management. Critical accounting estimates are also those that could potentially have a material impact on the Company's 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.

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.

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.

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.

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.

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:

Asset	Method	Rate
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.

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.

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.

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.

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.

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 assts held at FVPTL 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.

Financial instruments

The Company has made the following classifications:

Financial instrument	Classification
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.

Financial Instruments and Other Risk Factors

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

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

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

Financial risk management and objectives

Fair value

Financial instruments of the Company consist of cash, trade and other payables, advances to/from shareholders', convertible debentures and loans payable. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the statements of financial position and their estimated fair values due to the short-term nature of these items. The convertible debentures and loans payable approximate their fair value as terms and conditions represent market terms and conditions.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgement to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Credit risk

The Company is exposed to credit risk on its cash balance which is held with reputable financial institutions. As at October 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 due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its loans payable balance which accrues interest at a variable rate. Fluctuations in market rates do not have a significant impact on the Company's results of operations.

Liquidity risk

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

As at October 31, 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.

Risks and Uncertainties

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

Additional Financing

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

Investments may be pre-revenue

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

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

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

Intellectual property and proprietary protection

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

Reliance on management

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

Corporate Information

Corporate Office

7941 Jane Street, Unit 2, Concord, Ontario, L4K 2M7

Independent Auditor

Stern & Lovrics LLP

Transfer Agent

Capital Transfer Agency ULC

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

DELOTA CORP.

(Formerly, Spyder Cannabis Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JANUARY 31, 2022

Prepared as at May 31, 2022

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") reflects management's assessment of Delota Corp.'s (formerly, Spyder Cannabis Inc.) ("Delota" or the "Company") financial and operating results for the year ended January 31, 2022. This document should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 2022. The Company's consolidated financial statements and the financial information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC")

This MD&A is prepared by management as at May 31, 2022. All amounts are expressed in Canadian dollars, unless otherwise noted.

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

Disclaimer

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

Overview

Nature of Business

Delota Corp. (formerly, Spyder Cannabis Inc.) was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on February 20, 2014. The Company's common shares currently trade 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.

Delota is an established cannabis and vape retailer that owns and operates a portfolio of Canadian retail brans well-positioned to capitalize on the evolving cannabis and nicotine retail sectors.

The Company's goal is to build the most popular and beloved retail cannabis and nicotine brands in Canada by aggressively growing its footprint and developing retail banners that resonate with a loyal and growing customer base.

About 180 Smoke

180 Smoke is Ontario's largest specialty vape chain with 25 retail locations across the province and a leading Canada-wide e-commerce presence. 180 Smoke has over 130,000 in-store accounts at its brick-and-mortar locations and over 190,000 online accounts through its e-commerce platform. Unlike other specialty vape retailers, 180 Smoke has secured "store within a store" relationships with big tobacco to have experiential hubs for their products.

About Offside Cannabis

Offside Cannabis is a value-centered dispensary brand providing retail and online services. Offside Cannabis believes in boutique bud products and services at big box bud prices – ultimately, Offside Cannabis aims to provide its customers with good value for their dollar. There are currently four licensed locations in Niagara Falls (2), Pickering and Hamilton.

Overall Performance

On May 31, 2019, the Company completed the acquisition of Spyder Vapes Inc. ("Spyder Vapes"), a privately held company incorporated on August 18, 2014. The Company acquired all of the issued and outstanding common shares of Spyder Vapes through a reverse takeover transaction (the "RTO"), which was affected pursuant to a merger agreement between Anchor Capital Corporation and Spyder Vapes Inc. The Company, as the resulting issuer, changed its name from "Anchor Capital Corporation" to "Spyder Cannabis Inc." which has subsequently been changed to "Delota Corp." on November 17, 2021.

On June 11, 2019, the Company's common shares began trading on the TSX-V. The Company's common shares currently trade on the TSX-V under the symbol "LOTA".

On August 29, 2019, the Company announced it had entered into a purchase agreement with an arm's length party to acquire an interest in a development permit (the "Development Permit"). The net costs incurred to acquire the Development Permit amounted to $163,833. The consideration was paid by an issuance of 600,000 common shares of the Company amounting to $175,000, net of cash recovery of $11,167. The transaction was completed on November 12, 2019.

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

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

On July 29, 2020, the Company announced that its wholly-owned subsidiary, The Green Spyder Inc. (the "Green Spyder"), received its *Retail Cannabis Store License* from the Alberta Gaming, Liquor and Cannabis Commission (the "AGLC") for its cannabis dispensary located at 104-58th Avenue SE, Calgary, Alberta. The dispensary opened for business on September 26, 2020 and was subsequently closed due to the COVID-19 pandemic. Effective August 31, 2021, the Green Spyder surrendered the premise to focus its operations in Ontario.

On August 24, 2020, the Company completed a debt settlement transaction, pursuant to which it issued, to certain creditors of the Company, an aggregate of 774,400 common shares of the Company at a price of $0.25 per common share in settlement of an aggregate of $193,600 in indebtedness of the Company.

On February 17, 2021, and in connection with options previously issued, options for the purchase of 35,100 common shares of the Company were exercised at a price of $0.50 per common share for total gross proceeds of $17,550.

On March 16, 2021, the Company completed a debt settlement transaction (the "Debt Settlement"), pursuant to which the Company issued, to certain creditors of the Company, an aggregate of 1,993,333 common shares of the Company, at a deemed 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 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.

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

On April 1, 2021, the Company completed a non-brokered private placement offering (the "Offering") through the issuance of 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. 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 for a minimum of 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants requiring them to exercise such Warrants within 30 days following the date of issuance of such written notice. A director of the Company participated in the Offering and received 30,000 Units for an aggregate subscription of $10,125.

On May 7, 2021, the board of directors of the Company (the "Board" or "Board of Directors") appointed Cameron Wickham as Director, Chief Executive Officer and Corporate Secretary of the Company and Ankit Gosain as Chief Financial Officer of the Company. Daniel Pelchovitz, the Company's former Chief

Executive Officer, continued with the Company as a Director and as Chief Executive Officer of the Company's Cannabis Division. Mark Pelchovitz, the Company's former Chief Financial Officer and Corporate Secretary, continued with the Company as a Director. The Board also appointed Mark Pelchovitz as Executive Chair of the Board and Cameron Wickham as Executive Vice Chair of the Board. Furthermore, the Board also appointed Steven Glaser, Mark Pelchovitz and Cameron Wickham to serve as members of the Audit Committee of the Board, with Steven Glaser to serve as Chair of the Audit Committee.

On May 17, 2021, and in connection with options previously issued, options for the purchase of 400,000 common shares of the Company were exercised at a price of $0.25 per common share for total gross proceeds of $100,000.

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

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

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

On September 17, 2021, the Company completed a 5 to 1 share consolidation.

On September 27, 2021, the Company announced that Spyder Subco received *Retail Store Authorization* from the AGCO for its cannabis dispensary located at 767 Taunton Road, Oshawa, Ontario. This location continues to operate as a 180 Smoke vape store.

On October 14, 2021, the Company announced the launch of Offside Cannabis, a retail dispensary brand dedicated to providing cannabis consumers with affordable prices and high-quality customer service.

On November 3, 2021, the Company announced that Spyder Subco received *Retail Store Authorization* from the AGCO for its cannabis dispensary located at 5719 Victoria Avenue, Niagara Falls, Ontario. The dispensary opened for business on February 4, 2022 and currently operates under the Offside Cannabis brand.

On November 17, 2021, the Company changed its name from "Spyder Cannabis Inc." to "Delota Corp." In connection with the name change, the Company began trading on the TSX-V under its new name and ticker symbol "LOTA" on November 22, 2021.

Subsequent Events

On March 30, 2022, the Company acquired all of the issued and outstanding common shares of 2766563 Ontario Inc. ("276 Ontario") from the shareholders of 276 Ontario for an aggregate purchase price of $3,000,000, which the Company satisfied through the issuance of an aggregate of 12,000,001 common shares of the Company, at a price of $0.25 per common share. 276 Ontario was led by Plant-Based Investment Corp. and held a $11,129,172 promissory note owing from 180 Smoke. As a result of the acquisition of 276 Ontario, the Company's promissory note held with 276 Ontario is eliminated on consolidation.

On May 19, 2022, Spyder Subco received *Retail Store Authorization* from the AGCO for its cannabis dispensary located at 1033 King Street West, Hamilton, Ontario. The dispensary is expected to open for business in June 2022 and will operate under the Offside Cannabis brand.

Selected Financial Information

The following table summarizes financial information for the three months ended January 31, 2022 and the preceding seven quarters:

Quarter Ended	Jan 31, 2022	Oct 31, 2021	Jul 31, 2021	Apr 30, 2021	Jan 31, 2021	Oct 31, 2020	Jul 31, 2020	Apr 30, 2020
	$	$	$	$	$	$	$	$
Revenue	5,578,185	5,351,308	4,731,417	2,024,938	670,929	497,734	34,259	73,202
Loss from continuing operations	(7,374,570)	(451,654)	(801,276)	(217,470)	(397,415)	(175,717)	(390,506)	(345,980)
Net loss per share – basic and diluted	0.54	0.03	0.06	0.02	0.04	0.03	0.04	0.04

Results of Operations for the Year Ended January 31, 2022

The consolidated financial statements of the Company have been prepared using IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. As a result, within the next twelve months, the Company will need to generate positive cash flows from operations, and/or obtain additional equity or debt financing in order to meet its liabilities as they come due and to continue with its business activities. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations. Accordingly, these consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Operations

The following table summarizes the Company's revenue, cost of goods sold, gross profit, expenses and net and comprehensive loss for the years ended January 31, 2022 and 2021:

	2022	2021
	$	$
Revenue	**17,685,848**	1,276,124
Cost of goods sold	**9,872,553**	891,158
Gross profit	**7,813,295**	384,966
Expenses		
General and administrative expenses	**9,084,174**	1,313,038
Finance charges	**812,124**	193,992
Total expenses	**9,896,298**	1,507,030
Loss before other income (expenses)	**(2,083,003)**	(1,122,064)
Government assistance	**171,174**	142,486
Other income	**203,470**	-
Forgiveness of lease liability	**261,908**	-
Impairment expense	**(331,147)**	(330,040)
Amortization of intangible assets - trade name	**(200,556)**	-
Impairment of goodwill	**(6,919,963)**	-
Loss before income taxes (recovery)	**(8,898,117)**	(1,309,618)
Deferred tax recovery	**53,147**	-
Net loss and comprehensive loss	**(8,844,970)**	(1,309,618)

Revenue

Total revenue for the years ended January 31, 2022 and 2021 amounted to $17,685,848 and $1,276,124, respectively. The increase in revenue during the year ended January 31, 2022 as compared to 2021 was primarily attributable to the acquisition of 180 Smoke and the opening of new Offside Cannabis dispensary locations.

Cost of goods sold

Costs of goods sold for the years ended January 31, 2022 and 2021 amounted to $9,872,553 and $891,158, respectively. The increase in cost of goods sold during the year ended January 31, 2022 as compared to 2021 was attributable to increased revenue as discussed above.

Gross profit

Gross profit for the years ended January 31, 2022 and 2021 amounted to $7,813,295 and $384,966, respectively.

General and administrative expenses

General and administrative expenses for the years ended January 31, 2022 and 2021 were 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

Salaries and wages

Salaries and wages expense for the years ended January 31, 2022 and 2021 amounted to $4,210,824 and $301,775, respectively. The increase in salaries and wages expense during the year ended January 31, 2022 as compared to 2021 was primarily attributable to the acquisition of 180 Smoke and new staff required to support the Company’s growing retail footprint.

Rent and utilities

Rent and utilities expense for the years ended January 31, 2022 and 2021 amounted to $638,479 and $208,464, respectively. The increase in rent and utilities expense during the year ended January 31, 2022 as compared to 2021 was attributable to the Company’s increased retail footprint consisting of 180 Smoke and Offside Cannabis retail stores.

Delivery

Delivery expense for the year ended January 31, 2022 amounted to $549,226 as compared to $nil for the year ended January 31, 2021. Delivery expense for the year ended January 31, 2022 relates to delivery costs associated with 180 Smoke’s e-commerce platform.

Office and general

Office and general expense for the years ended January 31, 2022 and 2021 amounted to $947,311 and $231,111, respectively. The increase in office and general expense during the year ended January 31, 2022 as compared to 2021 was primarily attributable to the acquisition of 180 Smoke and the Company's overall increased business activity to support its growing retail footprint.

Professional fees

Professional fees for the years ended January 31, 2022 and 2021 amounted to $540,730 and $264,057, respectively. The increase in professional fees during the year ended January 31, 2022 as compared to 2021 was a result of increased accounting fees and legal fees resulting from and associated with the acquisition of 180 Smoke and the Company's growing operations.

Advertising and promotion

Advertising and promotion expense for the year ended January 31, 2022 amounted to $246,898 as compared to $nil for the year ended January 31, 2021. Advertising and promotion expense for the year ended January 31, 2022 is attributable to marketing efforts in relation to 180 Smoke and the Company's launch of its Offside Cannabis brand.

Stock-based compensation

Stock-based compensation expense for the year ended January 31, 2022 amounted to $180,663 as compared to $nil for the year ended January 31, 2021. Stock-based compensation expense for the year ended January 31, 2022 was a result of the issuance of stock options to certain directors, officers and employees of the Company granted under the Omnibus Plan.

Insurance

Insurance expense for the years ended January 31, 2022 and 2021 amounted to $166,557 and $40,819, respectively. The increase in insurance expense for the year ended January 31, 2022 is attributable to new insurance policies bound during the year including a new D&O policy, new product liability and general liability policies and increased tenant insurance policies for the Company's leased premises.

Repairs and maintenance

Repairs and maintenance expense for the year ended January 31, 2022 amounted to $110,956 as compared to $nil for the year ended January 31, 2021. Repairs and maintenance expense during the year ended January 31, 2022 is attributable to general repairs and maintenance required on the Company's property and equipment.

Bank charges

Bank charges for the year ended January 31, 2022 amounted to $250,662 as compared to $24,700 for the year ended January 31, 2021. Bank charges are mainly attributable to merchant fees and other charges associated with processing transactions. The increase in bank charges during the year ended January 31, 2022 is associated with the significantly increased volume of transactions associated with the increase in revenue.

Foreign exchange loss

The Company recorded a foreign exchange loss of $7,325 during the year ended January 31, 2022 as compared to $nil for the year ended January 31, 2021. Foreign exchange gains and losses are a result of exchange rate fluctuations related to transactions based in United States Dollars.

Depreciation

Depreciation expense for the years ended January 31, 2022 and 2021 amounted to $237,694 and $112,975 respectively. Depreciation expense relates to the Company's property and equipment located at the Company's leased premises. The increased depreciation expense for the year ended January 31, 2022 is attributable to the additional property and equipment acquired from the acquisition of 180 Smoke and investments in new property and equipment located at Offside Cannabis dispensary locations.

Depreciation of right-of-use assets

Depreciation of right-of-use assets for the years ended January 31, 2022 and 2021 amounted to $946,027 and $129,137, respectively. Depreciation of right-of-use assets relates to depreciation on the Company's long-term leases. The increased depreciation of right-of-use assets for the year ended January 31, 2022 is attributable to additional long-term leases of the Company acquired in the acquisition of 180 Smoke and net new leases signed to support the Company's growing retail footprint.

Amortization

Amortization expense for the year ended January 31, 2022 amounted to $50,822 as compared to $nil for the year ended January 31, 2021. Amortization expense relates to amortization of on the Company's intangible assets.

Finance charges

Finance charges for the years ended January 31, 2022 and 2021 were 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

Interest on loans payable

Interest on loans payable for the years ended January 31, 2022 and 2021 amounted to $123,202 and $115,821, respectively. Interest on loans payable is attributable to interest charged on loans bearing interest between twelve to twenty-four percent per annum.

Interest on lease liabilities

Interest on lease liabilities for the years ended January 31, 2022 and 2021 amounted to $668,951 and $76,566, respectively. Interest on lease liabilities relates to the interest expense on the Company's long-term leases. The increased interest on lease liabilities during the year ended January 31, 2022 is attributable to additional long-term leases of the Company acquired in the acquisition of 180 Smoke and net new leases signed to support the Company's growing retail footprint.

Accretion

Accretion expense for the years ended January 31, 2022 and 2021 amounted to $19,971 and $1,605, respectively. Accretion expense relates to the accretion of the Company's Canada Emergency Business Account loans.

Total Expenses

During the year ended January 31, 2022, the Company recorded total expenses of $9,896,298 as compared to total expenses of $1,507,030 during the year ended January 31, 2021.

Other income (expenses)

	2022	2021
	$	$
Government assistance	**171,174**	142,486
Other income	**203,470**	-
Forgiveness of lease liability	**261,908**	-
Impairment expense	**(331,147)**	(330,040)
Amortization of intangible assets - trade name	**(200,556)**	-
Impairment of goodwill	**(6,919,963)**	-
	(6,815,114)	(187,554)

Government assistance

Government assistance for the years ended January 31, 2022 and 2021 amounted to $171,174 and $142,486, respectively. Government assistance during the year ended January 31, 2022 relates to $151,016 which was received as a COVID-19 Business Support Grant and $20,158 which recognized as a gain on the modification of the outstanding CEBA loans as a result of the extension in the maturity date. During the year ended January 31, 2021, the government assistance amount related to the difference between the amount received and the fair value of the CEBA loans.

Other income

Other income during the years ended January 31, 2022 and 2021 amounted to $203,470 and $nil. Other income relates to miscellaneous revenues earned.

Forgiveness of lease liability

Forgiveness of lease liability for the years ended January 31, 2022 and 2021 amounted to $261,908 and $nil, respectively. Forgiveness of lease liability during the year ended January 31, 2022 was attributable to the cancellation of the Company's lease in Calgary.

Impairment expense

Impairment expense for the years ended January 31, 2022 and 2021 amounted to $331,147 and $330,040, respectively. Impairment expense during the year ended January 31, 2022 was attributable to the impairment of the Company's lease in Calgary. Impairment expense during the year ended January 31, 2021 was attributable to the write-off of property and equipment of the Company's discontinued leases.

Amortization of intangible assets – trade name

Amortization of intangible assets – trade name for the years ended January 31, 2022 and 2021 amounted to $200,556 and $nil, respectively. Amortization of intangible assets – trade name relates to the amortization of the Company's intangible asset acquired as part of the acquisition of 180 Smoke.

Impairment of goodwill

Impairment of goodwill for the years ended January 31, 2022 and 2021 amounted to $6,919,963 and $nil, respectively. Impairment of goodwill during the year ended January 31, 2022 was attributable to the write-down of goodwill associated with the acquisition of 180 Smoke.

Deferred tax recovery

Deferred tax recovery during the years ended January 31, 2022 and 2021 amounted to $53,147 and $nil, respectively. Deferred tax recovery during the year ended January 31, 2022 relates to the decrease in the difference between the temporary difference of the acquired trade name as a result of the amortization recorded on the respective trade name.

Net Loss and Comprehensive Loss

During the year ended January 31, 2022, the Company recorded a net and comprehensive loss of $8,844,970 as compared to $1,309,618 during the year ended January 31, 2021.

Liquidity and Capital Resources

As at January 31, 2022, the Company had total assets of $13,405,060 (January 31, 2021 – $1,232,269) consisting of cash of $1,010,354, accounts receivable of $831,075, inventory of $1,465,226, prepaid expenses of $195,783, property and equipment of $1,034,785, right-of-use assets of $5,037,964, intangible assets of $420,429, and intangible assets – trade name of $3,409,444.

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

The increase in assets from January 31, 2021 to January 31, 2022 was primarily attributable to the Company's acquisition of 180 Smoke, resulting in a significant increase in total assets.

As at January 31, 2022, the Company had total liabilities of $21,920,182 (January 31, 2021 – $2,460,519) consisting of trade and other payables of $2,077,166, harmonized sales tax payable of $448,109, current lease liabilities of $590,260, current loans payable of $749,377, current contract liability of $109,241, current promissory note of $11,129,171, non-current lease liabilities of $5,489,856, non-current contract liability of $264,566, government loan of $158,933 and deferred tax liability of $903,503.

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

The increase in liabilities from January 31, 2021 to January 31, 2022 was primarily a result of increased lease liabilities and the promissory note acquired from the acquisition of 180 Smoke.

Cash Flows Provided by and Used in Operating Activities

Cash flows provided by operating activities for the year ended January 31, 2022 amounted to $965,525 due to the reasons discussed above. Cash flows used in operating activities for the year ended January 31, 2021 amounted to $316,259.

Cash Flows Provided by and Used in Financing Activities

The Company used cash flows in financing activities in the amount of $167,856 during the year ended January 31, 2022 as compared to cash flows provided by financing activities in the amount of $720,177. During the year ended January 31, 2022, the Company received net proceeds from loans payable in the amount of $225,865 (January 31, 2021 – $547,832), received net proceeds from its private placement in the amount of $960,885 (January 31, 2021 – $nil), received proceeds from government loans of $nil (January 31, 2021 – $300,000), received proceeds from the exercise of stock options in the amount of $117,550 (January 31, 2021 – $nil) and paid $1,472,156 towards the Company's lease obligations (January 31, 2021 – $127,655).

Cash Flows Used in Investing Activities

The Company used cash in investing activities in the amount of $85,571 (January 31, 2021 – $233,642) during the year ended January 31, 2022. During the year ended January 31, 2022, the Company purchased property and equipment in the amount of $98,194 (January 31, 2021 – $233,642). During the year ended January 31, 2022, the Company sold property and equipment in the amount of $12,623 (January 31, 2021 – $nil).

Summary

During the year ended January 31, 2022, the Company incurred a net and comprehensive 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.

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

The Company 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 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.

Outstanding Share Data

There were 14,809,614 common shares of the Company issued and outstanding as at January 31, 2022 and 26,809,615 common shares as at May 31, 2022, being the date of this report. There were options for the purchase of 735,000 common shares of the Company and warrants for the purchase of 2,962,956 common shares of the Company issued and outstanding as at January 31, 2022 and May 31, 2022, being the date of this report.

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	
Assets acquired	
Cash and cash equivalents	**288,546**
Accounts receivable	**368,727**
Prepaid expenses and deposits	**176,143**
Inventory	**1,279,735**
Property, plant and equipment	**955,131**
Intangible assets	**463,096**
Right-of-use assets	**5,201,946**
Total assets	**8,733,324**
Liabilities assumed	
Accounts payable and accrued liabilities	**1,026,407**
Income taxes payable	**5,767**
Contract liability	**261,302**
Lease liabilities	**5,883,989**
Total liabilities	**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 (January 31, 2021 – $nil), which was reported on the Company’s consolidated statements of operations and comprehensive loss.

Share Capital

Common Shares

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

	#	$
Balance, January 31, 2020	**8,643,825**	**2,736,176**
Common shares issued for the conversion of debt	600,000	150,000
Common shares issued for the conversion of accounts payable	174,400	43,600
Balance, January 31, 2021	**9,418,225**	**2,929,776**
Common shares issued for the exercise of options	35,100	41,820
Common shares issued for the settlement of debt	1,993,333	299,000
Common shares issued for private placement	2,962,956	960,885
Common shares issued for the exercise of options	400,000	297,000
Balance, January 31, 2022	**14,809,614**	**4,528,481**

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. Such shares were issued to directors of the Company;
- On April 1, 2021, the Company completed a non-brokered private placement offering (the "Offering") through the issuance of 2,962,956 units ("Units") of the Company, at a price of $0.3375 per Unit, for total gross proceeds of approximately $1,000,000. In connection with the Offering, share issuance costs of $39,115 were recorded. Each Unit consisted of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.675 per common share at any time prior to the earlier of: (i) April 1, 2023; or (ii) in the event that the closing price of the Company's common shares on the TSX-V is at least $1.00 per share for a minimum of 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants accelerating the expiry date of such Warrants to be 30 days following the date of such written notice. A director of the Company participated in the Offering and received 30,000 Units for an aggregate subscription of $10,125;
- On March 16, 2021, the Company completed a debt settlement transaction pursuant to which the Company issued, to certain creditors of the Company, an aggregate of 1,993,333 common shares of the Company, at a deemed 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 into share capital.

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

- On August 24, 2020, the Company issued 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.

Preferred shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. The preferred shares may be issued in one or more series at the discretion of the Company's board of directors who are authorized to fix the number of preferred shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares of each series. As at January 31, 2022 and 2021, no preferred shares were issued and outstanding.

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 yea	198,467	1.50	0.30	275,966	0.50	0.83
Expired	(198,467)	1.50	-	-	-	-
Granted (expired)	2,962,956	0.68	2.00	(77,499)	0.50	1.30
Balance, end of the year	2,962,956	0.68	1.50	198,467	1.50	0.30
Exercisable, end of the year	**2,962,956**	**0.68**	**1.50**	198,467	1.50	0.30

During the year ended January 31, 2022, the Company issued 2,962,956 warrants pursuant to the Offering, as disclosed above.

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 yea	**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

Option Grants

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

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

Stock price	$0.40	
Risk-free interest rate	0.76	%
Expected life	4 years	
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.

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 of the consolidated financial statements, 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.

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)
Balance, January 31, 2022 and January 31, 2021	**-**	20,147

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.

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.

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).

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.

Off Balance Sheet Arrangements

As at January 31, 2022, the Company had no material off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Significant Accounting Policies

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

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.

Significant accounting judgements and estimates

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Estimates and judgements

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Judgements are used in situations when there is a choice and/or assessment required by management. Critical accounting estimates are also those that could potentially have a material impact on the Company's 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.

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.

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;
- 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.

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.

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.

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:

Asset	Method	Rate
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.

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.

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.

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.

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.

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 assts held at FVPTL 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.

Financial instruments

The Company has made the following classifications:

Financial instrument	Classification
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.

Future Accounting Pronouncements

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

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

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

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

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

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

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

Amendments to 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.

Financial Instruments and Other Risk Factors

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

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

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

Financial risk management and objectives

Fair value

Financial instruments of the Company consist of cash, trade and other payables, advances to/from shareholders', convertible debentures and loans payable. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the statements of financial position and their estimated fair values due to the short-term nature of these items. The convertible debentures and loans payable approximate their fair value as terms and conditions represent market terms and conditions.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgement to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Credit risk

The Company is exposed to credit risk on its cash balance which is held with reputable financial institutions. As at 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 due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its loans payable balance which accrues interest at a variable rate. Fluctuations in market rates do not have a significant impact on the Company's results of operations.

Liquidity risk

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

As at 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.

Risks and Uncertainties

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

Additional Financing

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

Investments may be pre-revenue

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

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

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

Intellectual property and proprietary protection

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

Reliance on management

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

COVID-19

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

Corporate Information

Corporate Office

7941 Jane Street, Unit 2, Concord, Ontario, L4K 2M7

Independent Auditor

Stern & Lovrics LLP

Transfer Agent

Capital Transfer Agency ULC

Other Information

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

SPYDER CANNABIS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JANUARY 31, 2021

Prepared as at May 31, 2021

Management's Discussion and Analysis

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

This MD&A is prepared by management as at May 31, 2021. All amounts are expressed in Canadian dollars, unless otherwise noted.

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

Disclaimer

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

Overview

Nature of Business

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

The Company's common shares currently trade on the TSX Venture Exchange ("TSX-V") under the symbol "SPDR".

Overall Performance

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

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

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

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

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

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

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

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

Subsequent Events

On February 17, 2021, and in connection with options previously issued options for the purchase of 175,000 common shares of the Company were exercised at a price of $0.10 per common share for total gross proceeds of $17,500.

On March 16, 2021, the Company completed a debt settlement transaction (the "Debt Settlement"), pursuant to which the Company issued, to certain creditors of the Company, an aggregate of 9,966,666 common shares of the Company at a deemed price of $0.03 per common share, in settlement of an aggregate of $299,000 in indebtedness of the Company. Daniel Pelchovitz, Mark Pelchovitz and Steven Glaser, Directors of the Corporation, participated in the Debt Settlement and acquired an aggregate of 7,933,332 common shares in settlement of $237,996.96 in indebtedness of the Company.

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

On April 1, 2021, the Company completed a non-brokered private placement through the issuance of 14,814,815 units ("Units") of the Company, at a price of $0.0675 per Unit, for total gross proceeds of approximately $1,000,000. Each Unit consisted of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.135 per common share at any time prior to the earlier of: (i) April 1, 2023; or (ii) in the event that the closing price of the Company's common shares on the TSX-V is at least $0.20 for a minimum of 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants requiring them to exercise such Warrants within 30 days following the date of issuance of such written notice.

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

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

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

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

On May 27, 2021, the Company announced that Spyder Subco received *Retail Store Authorization* from the AGCO for its cannabis dispensary located at 776 Liverpool Rd., Unit 4, Pickering, Ontario. Pending completion of a Pre-Store Opening Inspection by the AGCO, Spyder Subco will then be permitted to open its second cannabis dispensary in Ontario.

Selected Financial Information

The following table summarizes financial information for the three months ended January 31, 2021 and the preceding seven quarters:

Quarter Ended	Jan 31, 2021	Oct 31 2020	Jul 31 2020	Apr 30 2020	Jan 31, 2020	Oct 31 2019	Jul 31 2019	Apr 30 2019
	$	$	$	$	$	$	$	$
Revenue	670,929	497,734	34,259	73,202	139,744	169,379	222,941	224,865
Loss from continuing operations	(397,415)	(175,717)	(390,506)	(345,980)	(1,255,410)	(255,363)	(389,083)	(279,313)
Net loss per share – basic and diluted	0.01	0.01	0.01	0.01	0.03	0.01	0.02	0.03

Results of Operations for the Year Ended January 31, 2021

The consolidated financial statements have been prepared using IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. As a result, within the next twelve months the Company will need to generate positive cash flows from operations, and/or obtain additional equity or debt financing in order to meet its liabilities as they come due and to continue with its business activities. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations. Accordingly, these consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Operations

The following table summarizes the Company’s expenses and net and comprehensive loss for the year ended January 31, 2020 and 2021:

	2021	2020
	$	$
Revenue	**1,276,124**	756,929
Cost of goods sold	**891,158**	400,401
Gross profit	**384,966**	356,528
Expenses		
General administration	**1,313,038**	1,376,405
Finance charges	**193,992**	173,873
Listing expense	**-**	985,419
Total expenses	**1,507,030**	2,535,697
Other income (expenses)		
Government assistance	**142,486**	-
Impairment expense	**(330,040)**	-
Total other income (expenses)	**(187,554)**	-
	(1,309,618)	(2,179,169)

Revenue

Total revenue for the year ended January 31, 2021 and 2020 amounted to $1,276,124 and $756,929, respectively. The increase in revenue during the year ended January 31, 2021 as compared to 2020 was mainly attributable to the opening of the Company's dispensaries as discussed above.

Cost of goods sold

Cost of goods sold for the year ended January 31, 2021 and 2020 amounted to $891,158 and $400,401, respectively. The increase in cost of goods sold during the year ended January 31, 2021 as compared to 2020 was attributable to increased revenue as discussed above.

General administration expenses

General administration expenses for the year ended January 31, 2021 and 2020 was comprised of the following:

	2021	2020
	$	$
Salaries and wages	**301,775**	427,015
Professional fees	**264,057**	318,232
Depreciation of right-of-use assets	**129,137**	125,033
Depreciation	**112,975**	62,585
Rent and utilities	**208,464**	130,374
Office and general	**193,704**	104,307
Insurance	**40,819**	14,202
Telephone, website and internet	**37,407**	34,971
Bank charges	**24,700**	17,984
Marketing	**-**	126,065
Lease termination	**-**	13,617
	1,313,038	1,376,405

Salaries and wages

Salaries and wages for the year ended January 31, 2021 and 2020 amounted to $301,775 and $427,015, respectively. The decrease in salaries and wages during the year ended January 31, 2021 as compared to 2020 was a result of the shift of the Company's retail revenue to e-commerce in response to COVID-19 resulting in reduced staffing requirements and government grants received for salaries and wages.

Professional fees

Professional fees for the year ended January 31, 2021 and 2020 amounted to $264,057 and $318,232, respectively. The decrease in professional fees during the year ended January 31, 2021 as compared to 2020 was a result of additional legal and professional fees incurred during fiscal 2020 for the RTO as discussed above.

Depreciation of right-of-use assets

Depreciation of right-of-use assets for the year ended January 31, 2021 and 2020 amounted to $129,137 and $125,033, respectively. Depreciation of right-of-use assets for the periods were in relation to the Company's leased premises.

Depreciation

Depreciation expense for the year ended January 31, 2021 and 2020 amounted to $112,975 and $62,585, respectively. The increase in depreciation expense during the year ended January 31, 2021 was a result of additions to property and equipment in in fiscal 2020 resulting in a higher depreciation expense. Depreciation for the periods were in relation to the Company's property and equipment at the Company's leased premises.

Rent and utilities

Rent and utilities expense for the year ended January 31, 2021 and 2020 amounted to $208,464 and $130,374, respectively. The increase in rent and utilities during the year ended January 31, 2021 as compared to 2020 was due to the increased overhead as a result of the Company's overall increased business activity as a result of the opening of the Company's dispensaries in Ontario and Alberta.

Office and general

Office and general expense for the year ended January 31, 2021 and 2020 amounted to $193,704 and $104,307, respectively. The increase in office and general expense during the year ended January 31, 2021 as compared to 2020 was a result of the Company's overall increased business activity as a result of the opening of the Company's dispensaries in Ontario and Alberta.

Telephone, website and internet

Telephone, website and internet expense for the year ended January 31, 2021 and 2020 amounted to $37,407 and $34,971, respectively, resulting from the Company's increased operations during the year ended January 31, 2021.

Bank charges

Bank charges for the year ended January 31, 2021 and 2020 amounted to $24,700 and $17,984, respectively, resulting from the Company's increased operations during the year ended January 31, 2021.

Insurance

Insurance expense for the year ended January 31, 2021 and 2020 amounted to $40,819 and $14,202, respectively. The increase in insurance expense during the year ended January 31, 2021 as compared to 2020 was a result of the Company obtaining additional insurance coverage for its new leased premises.

Marketing

Marketing expense for the year ended January 31, 2021 and 2020 amounted to $Nil and $126,065, respectively. The reduction in marketing expenses during the year ended January 31, 2021 was as a result of the Company conserving cash and avoiding discretionary spending.

Finance charges

Finance charges for the year ended January 31, 2021 and 2020 amounted to $193,992 and $173,873, respectively, relating to the Company's outstanding loan payable and lease liabilities.

Listing expense

Listing expense during the year ended January 31, 2020 amounted to $985,419 and was related to a one-time cost in relation to the RTO as discussed above.

Government assistance

Government assistance for the year ended January 31, 2021 amounted to $142,486 (2020 - $Nil). Government assistance relates to the CEBA Loan, as discussed below.

Impairment expense

Impairment expense for the year ended January 31, 2021 amounted to $330,040 (2020 - $Nil). Impairment expense relates to the impairment of a development permit acquired by the Company in the prior year and certain property and equipment and leasehold improvements.

Net Loss and Comprehensive Loss

During the year ended January 31, 2021, the Company recorded a net and comprehensive loss of $1,309,618 as compared to net and comprehensive loss of $2,179,169 during the year ended January 31, 2020.

Liquidity and Capital Resources

As at January 31, 2021, the Company had total assets of $1,232,269 (January 31, 2020 - $1,501,332) consisting of cash of $298,256, inventory of $171,300, prepaid expenses and sundry receivables of $73,584, property and equipment of $219,153 and right-of-use assets of $469,976.

As at January 31, 2020, the Company had total assets of $1,501,332 consisting of cash of $127,980, inventory of $151,845, prepaid expenses and sundry receivables of $97,387, sales tax receivable of $41,781,

property and equipment of $264,693, right-of-use assets of $653,813 and a development permit of $163,833.

The decrease in assets from January 31, 2020 to January 31, 2021 was primarily a result of impairment expense related to the Company's development permit and property equipment, and depreciation on the Company's property and equipment and right-of-use assets.

As at January 31, 2021, the Company had total liabilities of $2,460,519 (January 31, 2020 - $1,613,564) consisting of trade and other payables of $745,811, current lease liabilities of $57,569, current loans payable of $925,567, lease liabilities of $552,306, government loans of $159,119 and loans payable of $20,147.

As at January 31, 2020, the Company had total liabilities of $1,613,564 consisting of trade and other payables of $350,020, current lease obligations of $123,596, current loans payable of $501,494, lease liabilities of $592,066 and loans payable of $46,388.

The increase in liabilities from January 31, 2020 to January 31, 2021 was primarily a result of increased trades and payables and loans payable utilized to finance the Company's operations.

Cash Used in Operating Activities

The Company used cash in operating activities in the amount of $316,259 (January 31, 2020 – $779,394) during the year ended January 31, 2021 due to the reasons as discussed above.

Cash Provided by Financing Activities

The Company was provided cash by financing activities in the amount of $720,177 (January 31, 2020 - $605,484) during the year ended January 31, 2021. During the year ended January 31, 2021, the Company received advances from loans payable in the amount of $547,832, government assistance loans in the amount of $300,000 and paid $127,655 towards the Company's lease obligations. During the year ended January 31, 2020, the Company received advances from loans payable in the amount of $464,663, cash proceeds from the issuance of convertible debentures in the amount of $294,500 and paid $153,679 towards the Company's lease obligations.

Cash Used by and used in Investing Activities

The Company used cash by investing activities in the amount of $233,642 during the year ended January 31, 2021 (January 31, 2020 – cash provided by investing activities in the amount of $220,358). During the year ended January 31, 2021, the Company purchased property and equipment in the amount of $233,642. During the year ended January 31, 2020, the Company purchased property and equipment in the amount of $190,809, received a net cash recovery from the purchase of a development permit of $11,167 and the redemption of guaranteed investment certificates in the amount of $400,000.

Summary

During the year ended January 31, 2021, the Company incurred a comprehensive loss of $1,309,618 as compared to a comprehensive loss of $2,179,169 during the year ended January 31, 2020. As at January 31, 2021, the Company had working capital deficiency of $1,185,807 as compared to a working capital deficiency of $556,117 as at January 31, 2020. The Company's total shareholders' deficiency amounted to $1,228,250 (January 31, 2020 - $112,232) as at January 31, 2021.

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

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

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

OUTSTANDING SHARE DATA

There were 47,091,177 common shares of the Company issued and outstanding as at January 31, 2021 and 74,048,157 common shares of the Company issued and outstanding as at May 31, 2021, being the date of this report. There were options for the purchase of 3,851,400 common shares of the Company and warrants for the purchase of 992,335 common shares of the Company issued and outstanding as at January 31, 2021 and options for the purchase of 3,675,000 common shares of the Company and warrants for the purchase of 15,040,482 common shares of the Company issued and outstanding as at May 31, 2021.

Reverse Takeover of Spyder Vapes

On May 31, 2019, the Company completed the acquisition of all of the issued and outstanding common shares of Spyder Vapes pursuant to the RTO as disclosed in Note 1 to the consolidated financial statements for the year ended January 31, 2021. The Company's consolidated financial statements as at and for the year ended January 31, 2021 represent a continuation of Spyder Vapes and not those of the Company prior to the completion of the RTO.

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

The accounting for the RTO resulted in the following:

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

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

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

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

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

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

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

Share Capital

Common Shares

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

	#	$
Balance, January 31, 2019	**8,092,493**	**79,979**
Conversion of debentures	27,331,882	1,784,068
Common shares issued for RTO	4,514,000	677,100
Common shares issued for services	86,956	10,000
Balance outstanding at the date of the RTO	40,025,331	2,551,147
Common shares issued for Development Permit	3,000,000	175,000
Common shares issued for services	193,846	10,029
Balance, January 31, 2020	**43,219,177**	**2,736,176**
Common shares issued for the conversion of debt	3,000,000	150,000
Common shares issued for the conversion of accounts payable	872,000	43,600
Balance, January 31, 2021	**47,091,177**	**2,929,776**

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

- On August 24, 2020, the Company issued 3,000,000 common shares at a price of $0.05 per common share to the Chief Financial Officer of the Company in settlement of a secured loan in the amount of $150,000; and
- On August 24, 2020, the Company issued 872,000 common shares at a price of $0.05 per common share to settle accounts payable from arms-length vendors in the amount of $43,600.

During the year ended January 31, 2020, the Company had the following share capital transactions:

- On May 31, 2019, the Company issued 420,000 common shares at a price of $0.10 per common share for cash proceeds of $42,000;
- On May 31, 2019, the Company issued 372,493 common shares at a price of $0.10 per share for $37,249 of finders fees;
- On May 31, 2019, the Company issued 1,963,333 common shares in exchange for the conversion of convertible debentures amounted to $293,500;
- On May 31, 2019, the Company issued 25,368,549 common shares in exchange for the conversion of certain convertible debentures amounting to $1,490,568;
- On August 29, 2019, the Company issued 3,000,000 common shares at a deemed price of $0.0583 for the purchase of the Development Permit *(Note 12)*; and
- On January 10, 2020, the Company issued 193,846 common shares at a price of $0.065 per common share in consideration for $12,600 for services provided by an investor relations firm.

Preferred shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series.

The preferred shares may be issued in one or more series and directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

Warrants

In May 2019 and in connection with the $1,963,333 debenture issuance, the Company issued 981,668 share purchase warrants with an exercise price $0.30 expiring in May 2021. The estimated fair value of the warrants was $70,148 using the Black-Scholes option pricing model with the following assumptions: dividend of $0.00; expected volatility of 154%; a risk-free interest rate of 1.62% and an expected term of 2 years. In addition, the Company issued 10,667 finders' warrants having an estimated fair value of $1,000. The estimated fair value of the finder's warrants was determined by using the Black-Scholes option pricing model with the following assumptions: dividend of $0.00; expected volatility of 154%; a risk-free interest rate of 1.62% and an expected term of 2 years.

A summary of the Company's warrants outstanding at January 31, 2021 and 2020 are as follows:

	2021			2020		
	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	**1,379,828**	**0.1**	**0.83**	387,493	0.1	0.83
Granted (expired)	(387,493)	0.1	1.3	992,335	0.3	1.3
Balance, end of the year	992,335	0.3	0.3	1,379,828	0.24	1.16
Exercisable, end of the year	**992,335**	**0.3**	**0.3**	1,379,828	0.1	1.16

Options

On September 1, 2017, the Company established a stock-based compensation plan (the "Plan") which provides for the granting of incentive share options, non-statutory share options, share appreciation rights, restricted share awards, restricted share unit awards, and other share awards (collectively, "Share Awards") to selected directors, employees and consultants for a period of 5 years from the establishment of the Plan. The Plan is intended to help the Company secure and retain the services and provide incentives for increased efforts for the success of the Company.

The Board of Directors grants Share Awards from time to time based on its assessment of the appropriateness of doing so considering the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract key personnel, the number of Share Awards already outstanding and overall market conditions.

The number of common shares reserved for issuance under the Plan is fixed at a maximum of 3,993,837 common shares of the Company (the "Share Reserve"). Exercise or return of previously issued options to the Plan increases the number of options available for issue.

On the date of the RTO, the previously issued stock compensation for Anchor Capital Corporation was revalued and the estimated fair value of the compensation options was $76,252 using the Black-Scholes option pricing model with the following assumptions: dividend of $0.00; expected volatility of 154%; a risk-free interest rate of 1.38% and an expected term of approximately 5.5 years.

Total stock-based compensation recorded during the year ended January 31, 2021 was $Nil (2020 - $Nil). A summary of the Company’s options outstanding as at January 31, 2021 and 2020 are as follows:

	2021			2020		
	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	**3,851,400**	**0.07**	**3.33**	3,300,000	0.05	3.03
Granted (expired)	-	-		551,400	0.1	5.16
Balance, end of the year	3,851,400	0.07	2.33	3,851,400	0.07	3.33
Exercisable, end of the year	**3,851,400**	**0.07**	**2.33**	3,851,400	0.07	3.33

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price
Dec. 2, 2014	Dec. 2, 2024	551,400	551,400	$0.10
Sep. 1, 2017	Sep. 1, 2022	2,000,000	2,000,000	$0.05
Sep. 4, 2018	Sep. 4, 2023	200,000	200,000	$0.10
Oct. 10, 2018	Oct. 10, 2023	500,000	500,000	$0.10
Nov. 1, 2018	Nov. 1, 2023	600,000	600,000	$0.10

As at January 31, 2021, 3,851,400 (2020 - 3,851,400) outstanding options were fully vested.

Related Party Transactions

Key management personnel compensation

The Company defines key management personnel as being the Chief Executive Officer and Chief Financial Officer. the Company does not provide non-cash benefits to the key management.

Key management compensation during the years ended January 31, 2021 and 2020 is as follows:

	2021	2020
	$	$
Stock-based compensation	**-**	18,366
Salaries and other short-term employee benefits	**57,140**	62,400

During the year ended January 31, 2021 and 2020, the Company had the following related party transactions and balances in the normal course of business:

a. During the year ended January 31, 2021, the Company accrued professional and consulting fees in the amount of $40,000 (2020 - $60,000) to Peldren Holdings Inc., a company controlled by the Chief Financial Officer.

b. Included in loans payable, the following amounts were due to related parties:

   i. $67,200, comprised of $60,000 of loans payable and $7,200 of interest payable, owing to Peldren Holdings Inc., a company controlled by the CFO of the Company;

   ii. $22,400, comprised of $20,000 of loans payable and $2,400 of interest payable, owed to Daniel Pelchovitz, the CEO of the Company;

   iii. $239,834, comprised of $204,786 of loans payable and $35,048 of interest payable, owed to Mark Pelchovitz, CFO of the Company; and

   iv. $24,792, comprised of $22,350 of loans payable and $2,442 of interest payable, owed to the spouse of the CFO of the Company.

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

   i. $45,200 of management fees payable to Peldren Holdings Inc., a company controlled by the CFO of the Company;

   ii. $34,260 of wages payable owing to Daniel Pelchovitz, the CEO of the Company; and

   iii. $23,340 of wages payable owing to the spouse of the CFO of the Company.

Loans Payable

	2021	2020
	$	$
Vehicle loan, payable in monthly installments of $550, non-interest bearing, matures on August 2021 and secured by related vehicle.	**3,854**	10,461
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.	**38,507**	47,687
Loans payable, interest bearing at rates between 12% - 24% per annum, interest only payments, monthly, secured and due on demand.	**903,353**	489,734
	945,714	547,882
Less: current portion	**(925,567)**	(501,494)
Balance, January 31, 2021 and 2020	**20,147**	46,388

Government Loan

During the year ended January 31, 2021, the Company obtained a $300,000 loan under the Canada Emergency Business Account (the "CEBA Loan"). The CEBA Loan was granted in in the form of an interest-free revolving line of credit of which up to $300,000 may be drawn. On January 1, 2021, any balance remaining on the revolving line of credit automatically converted into a non-revolving term loan. Any outstanding balance on the CEBA Loan not repaid by January 1, 2023 is converted into an interest-bearing loan at a rate of 5% per annum. The CEBA Loan matures on December 31, 2025. If 2/3 (or $200,000) of the outstanding CEBA Loan is paid on or before December 31, 2022, the remaining 1/3 (or $100,000) will be forgiven. The Company expects to repay $200,000 of the outstanding CEBA Loan by December 31, 2022. The Company has discounted the CEBA Loan using a discount rate of 12% during the interest-free loan, which is the Company's incremental borrowing rate. The difference between the amount received and the fair value of the CEBA Loan has been reflected as government assistance in the statement of operations and comprehensive loss. The fair value of the CEBA Loan at inception amounted to $157,514. The difference of $142,486 has been reflected as government assistance on the statement of operations and comprehensive loss.

As at January 31, 2021, the fair value of the CEBA Loan amounted to $159,119 (2020 - $Nil).

Off Balance Sheet Arrangements

As at January 31, 2021, the Company had no material off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Significant Accounting Policies

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The

functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the Company's presentation currency.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") in effect on January 31, 2021. The Company's consolidated financial statements were authorized for issuance by the Board of Directors on May 31, 2021.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the 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: 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/losses on transactions between these subsidiaries are eliminated upon consolidation.

Significant accounting judgements and estimates

In the application of the Company's accounting policies management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Estimates and judgements

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

Inventory valuation

Inventory is carried at the lower of cost and net realizable value; in estimating net realizable value, the Company makes estimates related to obsolescence, future selling prices, seasonality, customer behavior,

and fluctuations in inventory levels. The Company records a write-down to reflect management’s best estimate of the net realizable value of inventory based on the above factors.

Income taxes

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

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

Share-based compensation

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

Carrying values of tangible assets

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

Leases

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

Deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability

of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Contingencies

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

Convertible debentures

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

Leases

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

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

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

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

In sublease arrangements where the Company is the intermediate lessor, it determines whether the sublease is finance or operating by reference to the right-of-use asset. A sublease is a finance sublease if substantially all of the risks and rewards of the head lease right-of-use asset have been transferred to the sub-lessee and the Company accounts for the sublease as two separate contracts. The Company derecognizes the right-of-

use asset corresponding to the head lease and records a net investment in the finance sublease with corresponding interest income recognized in finance income in the consolidated statements of operations and comprehensive loss and a net investment receivable recognized in trade and other receivables in the consolidated balance sheets.

Foreign currency translation

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

Provisions

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

IFRS 15 - *Revenue from contracts with customers*

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

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

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

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

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

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

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

Cost of goods sold

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

Government assistance

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

Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Share-based compensation

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

Equity

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

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

Income taxes

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

Current tax

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

Deferred tax

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

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

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

Financial instruments

Financial assets

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

Financial assets at FVTPL

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations during the period in which the change occurs. Realized and unrealized gains or losses resulting from assts held at FVPTL are included in the consolidated statements of operations and comprehensive losses in the period in which they relate to.

Financial assets at FVTOCI

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

Financial assets at amortized cost

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

Financial liabilities

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

The Company has made the following classifications:

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

Impairment

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

expected credit losses at each reporting date to reflect changes in initial recognition.

Fair value hierarchy

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

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Future Accounting Pronouncements

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

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

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

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

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

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

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

The Company has applied the practical expedient for the annual period ending January 30, 2021 and has recorded any eligible change in lease payments resulting from COVID-19-related rent concessions in the consolidated statements of operations and comprehensive loss, at the later of the date on which the rent concession arrangement is executed and the period to which the rent concession relates.

Financial Instruments and Other Risk Factors

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

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

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

Financial risk management and objectives

Fair value

Financial instruments of the Company consist of cash, trade and other payables, advances to/from shareholders', convertible debentures and loans payable. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the statements of financial position and their estimated fair values due to the short-term nature of these items. The convertible debentures and loans payable approximate their fair value as terms and conditions represent market terms and conditions.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because

of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Credit risk

The Company is exposed to credit risk on its cash balance which is held with reputable financial institutions. As at January 31, 2021, management considered the Company's credit risk in relation to such financial assets to be low.

Interest rate risk

The Company is exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its loans payable balance which accrues interest at a variable rate. Fluctuations in market rates do not have a significant impact on the Company's results of operations.

Liquidity risk

The Company is exposed to liquidity risk. Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they fall due. the Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. the Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing.

Undiscounted contractual cash outflow of financial liabilities based on maturity date are as follows:

	1 year	2 to 5 years	>5 years	Total
January 31, 2021	**$**	**$**	**$**	**$**
Trade and other payables	745,811	-	-	745,811
Loans payable	925,567	220,147	-	1,145,714
	1,671,378	**220,147**	**-**	**1,891,525**

	1 year	2 to 5 years	>5 years	Total
January 31, 2020	**$**	**$**	**$**	**$**
Trade and other payables	350,020	-	-	350,020
Loans payable	501,494	46,388		547,882
	851,514	**46,388**	**-**	**897,902**

Risks and Uncertainties

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

Additional Financing

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its future business activities by way of additional offerings of equity and/or debt financing as well as through

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

Investments may be pre-revenue

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

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

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

Intellectual property and proprietary protection

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

Reliance on management

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

COVID-19

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

Corporate Information

Corporate Office

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

Independent Auditor

Stern & Lovrics LLP, Toronto

Transfer Agent

Alliance Trust Company, Alberta

Other Information

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

Management Discussion and Analysis

Year Ended January 31, 2020

SPYDER CANNABIS INC.
MANAGEMENT DISCUSSION ND ANALYSIS
YEAR ENDED JANUARY 31, 2020

July 14, 2020

This management's discussion and analysis ("MD&A") provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the year ended January 31, 2020, compared to the year ended January 31, 2019. This report prepared as at July 14, 2020 intends to complement and supplement our consolidated financial statements (the "financial statements") as at January 31, 2020 and should be read in conjunction with the financial statements and the accompanying notes. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian Dollars, unless otherwise specified.

FORWARD-LOOKING STATEMENTS

The following Management's Discussion and Analysis ("MD&A") contains statements which, to the extent that they are not recitations of historical facts, may constitute forward-looking information under applicable Canadian securities legislation. Such forward-looking statements or information include financial and other projections as well as statements regarding the Company's future plans, objectives, performance, revenues, growth, profits, operating expenses or the Company's underlying assumptions. Forward-looking statements and information relating to the Company are based on the beliefs of management as well as assumptions made by and information currently available to us. The words "may", "would", "could", "will", "likely", "expect", "anticipate", "intend", "plan", "forecast", "project", "estimate" and "believe" or other similar words and phrases may identify forward-looking statements or information. Persons reading this MD&A are cautioned that such statements or information are only predictions, and that the Company's actual future results or performance may be materially different. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital and the estimated cost and availability of funding. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: the possibility of development or deployment difficulties or delays; the timing of entering into significant contracts; the performance of the global economy; industry analyst perception of the Company and its vision and future prospects; the success of certain business combinations engaged in by the Company or by its competitors; possible disruptive effects of organizational or personnel changes; new products and standards; risks related to acquisitions and international expansion; reliance on large customers; dependence upon key personnel and hiring; reliance on a limited number of suppliers; risks related to the Company's competition; the Company not adequately protecting its intellectual property; currency exchange rate

FORWARD-LOOKING STATEMENTS (CONTINUED)

risk; and including, but not limited to, other factors described in the Company's reports filed on SEDAR, its listing statement and those referred to under the heading "Risks and Uncertainties".

In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company's ability to execute on its business plan; timing of execution of outstanding or potential customer contracts by the Company; sales opportunities available to the Company; the Company's subjective assessment of the likelihood of success of a sales lead or opportunity; the Company's historical ability to generate sales leads or opportunities; and that sales will be completed at or above the Company's estimated margins. This list is not exhaustive of the factors that may affect the Company's forward-looking information. These factors should be considered carefully and readers should not place undue reliance on forward-looking information. All forward-looking statements made in this MD&A are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. The Company disclaims any intention and obligation to update and revise forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

Nature of business and Going Concern

Nature of Business

Spyder Cannabis Inc. (Formerly Anchor Capital Corporation) (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on February 20, 2014. The Company is publicly-held and its common shares are listed on the TSX Venture Exchange ("TSX-V") and under the symbol "SPDR" and sells electronic cigarettes, cannabis supplies, Ejuice and accessories for the "vape" business from five Canadian retail locations; Woodbridge, Scarborough, Pickering, Niagara Falls and Burlington, Ontario. The Company is pursuing the sale of cannabis from retail stores in both Ontario and Alberta. The sale of cannabis in these provinces is subject to obtaining regulatory approval. The Company is also pursuing the sale of Hemp based CBD products from locations in the USA.

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

Reverse Takeover

On May 31, 2019, the Company completed the acquisition of Spyder Vapes Inc. ("Vapes") a privately held company incorporated on August 18, 2014. The Company acquired all of the issued and outstanding shares of Vapes through a reverse takeover transaction (the "RTO), which was affected pursuant to a merger agreement between Anchor Capital Corporation, a Canadian Public Company and Spyder Vapes Inc. The Company's and Vapes common shares were exchanged for an equivalent number of shares in the amalgamated corporation. The transaction closed on May 31, 2019. As part of the RTO, Vapes with 11304372 Canada Inc ("AquisitionCo"), a wholly-owned subsidiary of the Company formed solely for the purpose of facilitating the three-cornered amalgamation (the "Amalgamation") in connection with the RTO. In accordance with the terms of the Amalgamation, the Company purchased all of the issued and outstanding common shares of Vapes on the basis of one (1) common share in the capital of the Company

(each a "New Spyder Share") for each one (1) Vapes common share outstanding immediately prior to the Amalgamation. In addition, the Company, as the resulting issuer, also changed it's name from "Anchor Capital Corporation" to "Spyder Cannabis Inc."

Upon closing of the Amalgamation, the Company issued 40,025,331 New Spyder Shares and 5,230,561 New Spyder Shares reserved for issuance. The New Spyder Shares reserved for issuance include 1,379,828 warrants and 3,851,400 stock options. Further, following closing of the Amalgamation, (i) the former shareholders of Vapes owned approximately 88.7% of the issued and outstanding New Spyder Shares, (ii) the principals of Vapes collectively held 12,644,986 New Spyder Shares and 1,400,000 stock options.

Going Concern

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the year ended January 31, 2020, the Company incurred losses of $2,179,169 (2019 - $620,398) resulting in an accumulated deficit at January 31, 2020 of $3,340,437 and generated negative operating cash flows of $779,394 during the year. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

As a result, within the next twelve months the Company will need to generate positive cash flows from operations, and/or obtain additional equity or debt financing in order to meet its liabilities as they come due and to continue with its business activities.

These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations.

Accordingly, these consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Further, in March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

COMPANY OVERVIEW

The following is a description of how the business of Spyder and its subsidiaries developed over the three most recently completed financial years and the current financial year:

- Between May 2017 and February 2018, Spyder completed a private placement of secured convertible debentures, raising aggregate gross proceeds of $673,000. The principal amount of the secured convertible debentures issued in private placement, together with any accrued but unpaid interest, maybe converted into Spyder Shares at a conversion price of $0.05 per Spyder Share with the maturity date falling two years following closing.

- On May 8, 2017, Spyder entered into a five-year lease agreement with ICP Developers Inc. for an approximately 1,000 square feet retail location in Burlington, Ontario. In December 2017, Spyder opened its third vape shop at the Burlington location.

- In January 2018, Spyder entered into a non-disclosure with Divine Laboratories Inc. ("**Dvine**"), one of Canada's largest wholesale manufacturers of e-liquids, based in Lindsay, Ontario. The non-disclosure agreement marked the first step in negotiations between Spyder and Dvine to outsource to Dvinet production of Spyder's proprietary e-juice lines. Pursuant to the terms of the non-disclosure agreement, Dvine is obliged to hold confidence all proprietary e-juice recipes owned by Spyder and disclosed to Dvine.

- In March 2018, two months after the entering into the non-disclosure agreement, Spyder began negotiations with Dvine to outsource production of two of Spyder's newly developed proprietary e-juice lines, "Spyder Vapes" and "Nautical E-Liquids". Following such negotiations, Dvine and Spyder entered into an arrangement, pursuant to which Dvine acquired the non-exclusive right to manufacture the "Spyder Vapes" and "Nautical E-Liquids" e-juice lines, and to utilize Spyder's logos in the manufacturing process.

- In April 2018, Spyder introduced its two new proprietary e-juice lines, "Spyder Vapes" and "Nautical e-Liquids", which increased Spyder's proprietary flavours to a combined total of approximately 17 flavours such as "Gator Sauce", "Berry Bombs" and "Siren".

- In July 2018, Spyder acquired a lease for approximately 8,000 square feet location in Calgary, Alberta, which Spyder intends to operate both as a retail location, and as a central distribution hub for its product offerings. Spyder has received a municipal development and building permit in late 2018 for its Calgary location, subject to receiving a variance from the Province of Alberta.

- On November 7, 2018 Spyder enters into non-binding letter of intent (the "LOI") with Anchor Capital Corporation. The terms outline the conditions pursuant to which Anchor and Spyder would be willing to complete a transaction that will result in a reverse take-over of anchor by the shareholders of Spyder.

- In November and December of 2018, Spyder completed a private placement of secured convertible debentures, raising aggregate gross proceeds of $829,985. The principal amount of the secured convertible debentures issued in the private placement, together with accrued but

unpaid interest thereon, may be converted at a conversion price of $0.10 per Spyder Share, with the maturity date falling two years following closing. In connection with the 10 Cent Round, Spyder paid the Finder a cash fee of 10.0% of the gross proceeds raised by the Finder in the 10 Cent Round, 372,493 Spyder Shares, and 387,493 Spyder Warrants. Each Spyder Warrant is exercisable at a price of $0.10 into one (1) Spyder Share for a period of two years following closing.

- In April and May, 2019, Spyder completed its non-brokered concurrent financing of secured convertible debentures (the "**Concurrent Financing**") with the Qualifying Transaction, raising gross proceeds of $294, 500 through the sale of secured convertible debentures convertible into an aggregate of 1,963,333 units of Private Spyder (each a "**Unit**") at a price of $0.15 per Unit. Each Unit consists of one (1) Private Spyder Share and one-half (1/2) of one Spyder Warrant, with each whole Spyder Warrant entitling the holder thereof to purchase one (1) Private Spyder Share at an exercise price of $0.30 per share for a period of 24 months from the date of issuance.

- On June 11, Spyder Cannabis common shares began trading on the TSX Venture Exchange (the "Exchange") under the stock ticker symbol "SPDR".

- On June 18, 2019 Spyder Launches "CEO Verified" Discussion Forum on AGORACOM to act as Primary Investor Social Media Platform. Spyder also receives significant exposure through millions of content brand insertions on the AGORACOM network and extensive search engine marketing over the next 12 months. In addition, exclusive sponsorships of invaluable digital properties such as AGORACOM TV, the AGORACOM home page and the AGORACOM Twitter account will serve to significantly raise the brand awareness of the Corporation among small cap investors.

- On June 20, 2019, Spyder Cannabis announces plans to enter US hemp derived market through rollout of boutique retail and kiosk stores. These boutiques will stock Spyder's SPDR ® branded hemp derived, and infused products developed for an aging, health wellness demographic.

- On June 26, 2019, Spyder Cannabis Celebrates Canada Day Weekend with Launch of New Hemp Energy Drink Line. Spyder Cannabis signed an exclusive agreement with Tetra Natural Health, a subsidiary of Tetra Bio-Pharma (TSXV:TBP) (OTCQB:TBPMF), to distribute the three flavors of its Hemp Energy Drink in cannabis accessory stores, vape stores, and kiosks in Canada and the United States.

- On July 18, 2019, Spyder signed its first hemp agreement for the supply of full spectrum products to support Spyder's debut of a hemp infused product line. The initial launch will feature four distinct hemp-derived products; Balms at 125mg and 500mg strength, tinctures at 300mg, 500mg and 1,000mg strength, soft gel capsules at 15mg strength and a pet line starting with tinctures at 300mg strength.

- On July 22, 2019, Spyder received approval on their development permit for a flagship retail location in the heart of Calgary. Spyder intends to operate both as its flagship retail location and as a central distribution hub for its product offering. Spyder had received a municipal development and building permit in late 2018, subject to receiving a variance from the Province of Alberta. Spyder has now been accepted by Alberta Health Services.

- On August 29, 2019, Spyder announced that it had entered into a purchase agreement with an arm's length third party to acquire the vendor's interest in a Development Permit issued by the City of Calgary for the operation of a Cannabis Retail Store and an assignment of the lease attached to such Development Permit, located at 104-58th Avenue SE Unit 140, Calgary Alberta. The purchase price for the Development Permit and assignment of the lease was set at $175,000, which is payable through the issuance of 3,000,000 Spyder Shares. The transaction was completed on November 12, 2019

MANAGEMENT & DIRECTORS

DANIEL PELCHOVITZ, CHIEF EXECUTIVE OFFICER, DIRECTOR – Mr. Pelchovitz is a leader in the vape industry as the founder and managing partner of Spyder. In addition to launching Spyder, Mr. Pelchovitz has been involved in several vape shop launches. With over seven years of vape industry experience, Mr. Pelchovitz has cultivated a loyal following of customers and built strong and lasting relationship with many of the largest manufacturers in the business. He is an active member in many of the industry's self-guided associations.

STEVEN GLASER, DIRECTOR – Mr. Glaser is a financial service executive with a diverse background in corporate finance, communications and governance for private and public companies. He is currently Chief Operating Officer and a Director at Pool Safe Inc., a company that designs, develops and distributes a product known as the "PoolSafe". From 2008 through 2017, Mr. Glaser worked in the corporate finance and investment banking arena focused on assisting late stage private and early stage public companies with strategic planning and capital raising. Prior to that, Mr. Glaser spent seven years as Vice President Corporate Affairs of Azure Dynamics Corporation. He was responsible for the company's corporate governance, its domestic and international stock exchange listings, as well as the build-out of the company's Investor Relations division. Mr. Glaser holds a Bachelor of Administrative Studies degree as well as an M.B.A. in finance.

MARK PELCHOVITZ, CHIEF FINANCIAL OFFICER, DIRECTOR - Mr. Pelchovitz is the current Chief Financial Officer of Spyder, where he manages the company's finances and plays a vital role in guiding the operations of the organization. He has served on the advisory board of a start-up in the technology space. Mr. Pelchovitz is a partner at Truster Zweig LLP where his practice focuses primarily on accounting, auditing, and tax planning in a wide range of fields, including real estate, software development, travel, professionals, and the automotive industry. His client base is comprised of owner managed businesses.

BENJAMIN LEUNG- Ben is an accountant with over 28 years of financial accounting and management experience in both private industry and public practice. He is currently the Chief Financial Officer of Cultivate Capital Corp., a company investing and operating in the cannabis and hemp industry throughout North America. Over the past 2 years, Ben has acquired strong working knowledge of this industry and was responsible for leading strategic discussions, acquisitions, budgeting, financial reporting and internal controls. Most recently, Ben was the controller, and then promoted to CFP of QE2 Acquisition corp. He served a critical role in getting the corporation listed on the TSX. His experience includes financial reporting, taxation, risk management, human resources and corporate governance. Prior to that, he was a senior manager with a Calgary based accounting firm and focused on the audit and assurance department. He has held controllership positions with publicly listed companies in the pharmaceutical, oil and gas, and manufacturing industries.

SIGNIFICANT ACCOUNTIGN POLICIES

New Accounting Standard Adopted

Effective February 1, 2019, the Company adopted IFRS 16, Leases (IFRS 16"), which supersedes previous accounting standards for leases, including IAS 17, Leases ("IAS 17"), and IFRIC 4, Determining whether an Arrangement Contains a Lease ("IFRIC 4"). IFRS 16 introduces a single lessee accounting model, unless the underlying asset is of low value, and requires a lessee to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company leases properties for its retail stores. Lease contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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.

The Company estimates the 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 store 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). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the lease will be extended. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

The Company has applied IFRS 16 in accordance with the modified retrospective approach only to contracts that were previously identified as leases. Contracts that were not identified as leases under previous standards were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after February 1, 2019. the Company has determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for leases under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A Lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on the Consolidated Statements of Financial Position, as well as a decrease to operating expenses (for the removal of base rent expense for leases), an increase to depreciation (due to the depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liability). Tenant improvement allowances receivable become part of the lease liability under IFRS 16. Leasehold inducements, store closure costs and average rent adjustments are included in the calculation of right-of-use assets.

The Company did not apply IFRS 16 on a fully retrospective basis. The incremental borrowing rate applied to the lease liability on February 1, 2019 was 12%. The aggregate lease liability recognized in the Consolidated Statement of Financial Position at February 1, 2019 and the Company's operating lease commitment at February 1, 2019 is reconciled as follows:

Operating lease commitment at February 1, 2019	686,369
Effect of discounting lease commitments	160,062
Lease liability as at February 1, 2019	$526,307

SELECTED QUARTERLY INFORMATION

The table below summarizes information reported for the most recent eight quarterly periods:

SELECTED QUARTERLY INFORMATION

	31-Jan-2020	31-Oct-19	31-Jul-19	30-Apr-19
		($)	($)	($)
Total assets	1,501,332	1,186,689	1,481,905	1,758,235
Total liabilities	1,613,564	964,436	1,004,300	2,535,066
Revenue	139,744	169,379	222,941	224,865
Net income (loss)	(1,255,410)	(255,363)	(389,083)	(279,313)
Income (loss) per share	(0.03)	(0.01)	(0.02)	(0.03)

SELECTED QUARTERLY INFORMATION (CONTINUED)

	31-Jan 2019	31-Oct-18	31-Jul-18	30-Apr-18
	($)	($)	($)	($)
Total assets	1,005,381	446,403	507,991	503,069
Total liabilities	1,502,899	874,172	854,270	812,099
Revenue	260,914	275,026	241,032	194,655
Net income (loss)	(364,213)	(115,851)	(92,970)	(47,365)
Income (loss) per share	(0.04)	(0.02)	(0.01)	0.00

RESULTS OF OPERATIONS – YEAR ENDED JANUARY 31, 2020

(i)The Company had net loss of $2,179,169 for the year ended January 31, 2020 compared to a net loss of $620,925 for the year ended January 31, 2019. The cumulative deficit from inception of the Company is $3,340,437 and generated operating cash deficit of $779,394 during the year.

(ii) The Company as part of the qualifying transaction and RTO incurred listing expense of $985,419.

(ii) Professional fees of $318,232 for the year ended January 31, 2020 increased from $131,573 for the year ended January 31, 2019. The increase was due to audit cost, legal counsel, investor relations activities and consulting fees.

(iii) Occupancy costs decreased for the year ending January 31, 2020 due to the adoption of IFRS 16 related to lease accounting.

(iv) Salaries and wages increased to $427,015 in the year ending January 31, 2020 from $293,055 in the year ending January 31, 2019 as a result of opening new locations.

(v) Finance charges decreased to $173,873 for the year ended January 31, 2020 compared to $195,522 for the year ending January 31, 2019. This is from the conversion of convertible debentures on the Qualifying Transaction and interest on lease liability from the adoption of IFRS 16 related to lease accounting.

(vi) The Company's cash and cash equivalents balance as of January 31, 2020 was $127,980 versus $481,532 as at January 31, 2019 and had working capital deficit of $556,117 at January 31, 2020 versus a working capital of $595,250 at January 31, 2020

(vii) Overall expenses increased to $2,535,697 for the year ended January 31, 2020 from $1,122,929 for the year ended January 31, 2019. Most expenses increased in the current year due to expansion efforts, raising capital and listing expense.

SELECTED ANNUAL INFORMATION

The following operations information is the the preceding three years ended January 31,

	31-Jan-2020	31-Jan-2019	31-Jan 2018
Total assets	1,501,332	1,005,382	454,542
Total liabilities	1,613,564	1,502,900	715,289
Revenue	756,929	971,627	739,560
Net income (loss)	(2,179,169)	(620,398)	(361,925)
Income (loss) per share	(0.07)	(0.08)	(0.05)

RELATED PARTY TRANSACTIONS

The Company defines key management personnel as being the Chief Executive Officer and Chief Financial Officer. The Company doesn't provide non-cash benefits to key management. Related party transactions included in the year ended January 31, 2020 are consulting fees of $60,000 (2019-$0), Salaries of $62,400 (2019-$62,400) and loans advanced to the Company of $247,675 (2019-$0). A detailed description of the related party transactions can be found on note 22 to the January 31, 2020 financial statements.

LIQUIDITY/CAPITAL RESOURCES

The Company reported working capital deficit $556,117 at January 31, 2020 versus a working capital of $595,250 at January 31, 2020.

During the year ending January 31, 2020 the Company had reported a loss of $2,179,169 compared to $620,398 for the year ending January 31, 2019. The Company's ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent upon the continued financial support of its creditors, access to equity financial markets and ultimately, the attainment of profitable operations.

The Company has successfully utilized both debt and equity financing in the past, but there is no assurance that such funding will be available in the future or if it is that it will be on terms that are acceptable. If the Company requires additional capital and it is unable to obtain acceptable financing, it will experience liquidity issues and management expects that it will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Any additional equity financing may involve substantial dilution.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, GST receivables, due to related parties, accounts payable, bank loans and accrued expenses and loan payable. The carrying value of these financial

instruments is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

(a) Market risk:
The Company's financial instruments are exposed to a number of financial and market risks, including credit and liquidity risk. The Company does not currently have in place hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size and pattern of operations would warrant such hedging activities. The Company evaluates the key risks on an ongoing basis and has established policies and procedures to mitigate such risks.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company monitors its risk of shortage of funds by monitoring the maturity dates of accounts payable and accrued liabilities and due to related parties.

(c) Foreign currency risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company 's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

(d) Interest rate risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have significant exposure to interest rate fluctuation.

(e) Equity rate risk:
Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings.

(f) Credit risk:
Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. The total gross exposure as at January 31, 2019 is not significant.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience

and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net and/or comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

(i) Compound financial instruments

Compound financial instruments often issued by the Company comprise convertible secured subordinate debentures that can be converted to common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest relating to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(ii) Income taxes

The Company has not recognized a deferred tax asset as management believe it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.

(iii) Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions 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 stock option, volatility and dividend yield and making assumptions about them.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying amounts of cash, GIC's, GST/HST receivables, accounts payable and accrued liabilities and loan payable approximate fair value because of the short-term maturity of these items.

OTHER MD&A REQUIREMENTS

DISCLOSURE OF OUTSTANDING SHARE DATA

Summary of Outstanding Share Data as of January 31, 2020:

i. Authorized and issued share capital:

			Issued and Outstanding	
Class	Par Value	Authorized	2020	2019
Common	Nil	Unlimited	43,219,177	8,092,493

ii. There were 3,851,400 stock options outstanding as of January 31, 2020 (January 31, 2019- 2,000,000).

iii. Total stock-based compensation recorded during the year January 31, 2020 was $0 (January 31, 2019 - $119,379)

SUBSEQUENT EVENTS

- On May 5, 2020 the Company announced that it received a Conditional Cannabis License from the City of Alberta, located at 104-58th Avenue, SE, Calgary, Alberta

- On May 12, 2020 the Company announced that it had received a Cannabis Retail Operator's License ("ROL") for the Province of Ontario.

- On June 28, 2020 the Company received it's Cannabis Retail Authorization located at 6474 Lundy's Lane, Niagara Falls, Ontario.

ADDITIONAL INFORMATION

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.