Delota Corp.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

Delota Corp.

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Notice to Reader

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

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

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

June 29, 2023

Delota Corp.

Condensed Interim Consolidated Statements of Financial Position

As at April 30, 2023 and January 31, 2023

(Unaudited - Expressed in Canadian Dollars)

	Notes	April 30, 2023 $	January 31, 2023 $
ASSETS			
Current			
Cash		**814,095**	1,271,482
Accounts receivable		**1,466,914**	1,617,308
Inventory	*5*	**2,498,356**	1,834,964
Prepaid expenses		**215,787**	271,688
Total current assets		**4,995,152**	4,995,442
Non-current assets			
Intangible assets	*6*	**345,268**	360,002
Intangible assets - trade name	*6*	**3,108,611**	3,168,778
Property and equipment	*7*	**890,932**	961,790
Right-of-use assets	*8*	**4,973,506**	5,294,370
Total non-current assets		**9,318,317**	9,784,940
Total assets		**14,313,469**	14,780,382
LIABILITIES AND EQUITY			
Current			
Trade and other payables	*9*	**4,775,841**	4,382,067
Lease liabilities	*10*	**1,183,775**	1,213,056
Contract liability	*11*	**126,393**	126,075
Government loan	*14*	**184,114**	178,880
Loans payable	*12*	**511,379**	628,886
Total current liabilities		**6,781,502**	6,528,964
Non-current liabilities			
Lease liabilities	*10*	**4,591,882**	4,968,216
Contract liability	*11*	**282,934**	285,483
Deferred tax liability		**823,782**	839,726
Total non-current liabilities		**5,698,598**	6,093,425
Total liabilities		**12,480,100**	12,622,389
SHAREHOLDERS' EQUITY			
Share capital		**7,528,481**	7,528,481
Warrant reserve		**99,398**	99,398
Contributed surplus		**352,024**	352,024
Deficit		**(6,146,534)**	(5,821,910)
Total shareholders' equity		**1,833,369**	2,157,993
Total liabilities and shareholders' equity		**14,313,469**	14,780,382

Nature of Operations and Going Concern (Note 1)

Related Party Transactions (Note 20)

Subsequent Events (Note 22)

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.

Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

For the Three Months Ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Notes	2023 $	2022 $
Revenue		**7,530,309**	5,785,867
Cost of goods sold		**4,445,817**	2,996,104
Gross profit		**3,084,492**	2,789,763
Expenses			
Salaries and wages		**1,617,835**	1,378,378
Rent and utilities		**269,326**	214,389
Delivery		**151,494**	137,642
Office and general		**491,939**	425,976
Professional fees		**52,994**	50,053
Advertising and promotion		**38,826**	78,053
Insurance		**100,193**	84,277
Repairs and maintenance		**22,420**	45,830
Foreign exchange loss (gain)		**6,367**	(3,075)
Depreciation	*7*	**70,858**	65,364
Depreciation of right-of-use assets	*8*	**320,864**	261,943
Amortization	*6*	**14,734**	14,734
Interest on loans payable		**24,502**	35,496
Interest on lease liabilities	*10*	**191,609**	172,486
Accretion	*14*	**5,234**	4,650
Total expenses		**3,379,195**	2,966,196
Income (loss) before other income (expenses)		**(294,703)**	(176,433)
Other income		**14,302**	36,397
Amortization of intangible assets - trade name	*6*	**(60,167)**	(60,167)
Gain on acquisition of 276 Ontario	*13, 15*	**-**	8,129,171
Income (loss) before income tax recovery		**(340,568)**	7,928,968
Deferred tax recovery		**15,944**	15,944
Net income (loss) and comprehensive income (loss)		**(324,624)**	7,944,912
Income (loss) per share - basic		**(0.01)**	0.42
Weighted average number of shares outstanding - basic		**26,809,615**	18,942,948
Income (loss) per share - diluted		**(0.01)**	0.35
Weighted average number of shares outstanding - diluted		**26,809,615**	22,640,904

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

Delota Corp.

Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)

For the Three Months Ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Notes	Number of Common Shares #	Share Capital $	Contributed Surplus $	Warrant Reserve $	Deficit $	Shareholders' Equity (Deficiency) $
Balance, January 31, 2022		**14,809,614**	**4,528,481**	**352,024**	**99,398**	**(13,495,025)**	**(8,515,122)**
Common shares issued for the acquisition of 276 Ontario	*13*	12,000,001	3,000,000	-	-	-	3,000,000
Net income for the period		-	-	-	-	7,944,912	7,944,912
Balance, April 30, 2022		**26,809,615**	**7,528,481**	**352,024**	**99,398**	**(5,550,113)**	**2,429,790**
Balance, January 31, 2023		**26,809,615**	**7,528,481**	**352,024**	**99,398**	**(5,821,910)**	**2,157,993**
Net loss for the period		-	-	-	-	(324,624)	(324,624)
Balance, April 30, 2023		**26,809,615**	**7,528,481**	**352,024**	**99,398**	**(6,146,534)**	**1,833,369**

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

Delota Corp.

Condensed Interim Consolidated Statements of Cash Flows

For the Three Months Ended April 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	2023 **$**	2022 $
Cash was provided by (used) in the following activities:		
Operating activities		
Net income (loss) for the period	**(324,624)**	7,944,912
Items not requiring an outlay of cash:		
Accretion	**5,234**	4,650
Gain on acquisition of 276 Ontario	**-**	(8,129,171)
Deferred tax recovery	**(15,944)**	(15,944)
Depreciation	**70,858**	65,364
Depreciation of right-of-use assets	**320,864**	261,943
Amortization of intangible assets - trade name	**60,167**	60,167
Amortization	**14,734**	14,734
Interest on lease liabilities	**191,609**	172,486
Change in non-cash working capital:		
Accounts receivable	**150,394**	(427,486)
Inventory	**(663,392)**	(159,617)
Prepaid expenses	**55,901**	29,512
Contract liability	**(2,231)**	50,117
Trade and other payables	**391,967**	242,919
Cash flows provided by operating activities	**255,537**	114,586
Financing activities		
Proceeds from loans payable	**-**	17,776
Repayments of loans payable	**(115,700)**	-
Lease payments	**(597,224)**	(399,462)
Cash flows used in financing activities	**(712,924)**	(381,686)
Investing activities		
Purchase of property and equipment	**-**	(51,482)
Cash flows used in investing activities	**-**	(51,482)
Decrease in cash during the period	**(457,387)**	(318,582)
Cash, beginning of period	**1,271,482**	1,010,354
Cash, end of period	**814,095**	691,772
Non-cash transactions affecting cash flows from financing and investing activities		
Common shares issued for acquisition of 276 Ontario (Note 13, 15)	**-**	**3,000,000**

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

1. Nature of Operations and Going Concern

Delota Corp. ("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 Canadian Securities Exchange ("CSE") under the symbol "LOTA". 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 5 licenced dispensaries under the Offside Cannabis banner name in Ontario. The Company's corporate and registered office is 7941 Jane Street, Unit 2, Concord, Ontario, L4K 2M7.

These condensed interim consolidated financial statements of the Company have been prepared on a going concern basis which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the three months ended April 30, 2023, the Company had a net loss in the amount of $324,624 (April 30, 2022 – net income of $7,944,912), had an accumulated deficit of $6,146,534 (January 31, 2023 – $5,821,910) as at April 30, 2023 and had a working capital deficiency of $1,786,350 (January 31, 2023 – $1,533,522) as at April 30, 2023. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent on funding. The Company intends to finance its future requirements through a combination of debt or equity financing. There is no assurance that the Company will be able to obtain such financing or obtain them on favorable terms. These material uncertainties cast significant doubt as to the Company's ability to continue as a going concern. As at April 30, 2023 and January 31, 2023, 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 International Financial Reporting Standards ("IFRS") and should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 2023. 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 ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements were authorized for issuance by the Company's Audit Committee and its Board of Directors on June 29, 2023.

2. Basis of Preparation (continued)

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.

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.

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 for the year ended January 31, 2023, as described in Note 2, Note 3, and Note 4 of those consolidated financial statements.

New standards and interpretations

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

In January 2020, the IASB issued an amendment to IAS 1, *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 provide clarity that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. This amendment is effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company adopted the amendments to IAS 1 effective February 1, 2023, which did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 1: Covenants

In October 2022, the IASB issued another amendment to IAS 1, which affects the classification of liabilities as current or non-current, further clarifying requirements for the classification of liabilities as non-current, which is effective for annual periods beginning on or after January 1, 2024. Management is currently evaluating the potential impact of this standard on the Company's consolidated financial statements.

Amendments to IFRS 16: Leases

The amendment clarifies how a seller-lessee measures sale and leaseback transactions that satisfy the requirements in *IFRS 15 – Revenue from Contracts and Customers* ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains that is effective for annual periods beginning on or after January 1, 2024. Management is currently evaluating the potential impact of this standard 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 condensed interim consolidated financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty and use of judgements are as follows:

Inventory valuation

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

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.

4. Use of Judgements and Estimates (continued)

Carrying values of tangible assets, and definite life intangible assets

The Company assesses the carrying value of its tangible assets and definite life intangible assets annually or more frequently if indicators of impairment exist. If it is determined that carrying values of these 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.

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.

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.

Carrying values of goodwill and other indefinite-life intangible assets

The values associated with goodwill and other indefinite-life 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 indefinite-life 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.

(Unaudited - Expressed in Canadian Dollars)

5. Inventory

As at April 30, 2023 and January 31, 2023, the Company's inventory is comprised of the following:

	April 30, 2023 $	January 31, 2023 $
Raw materials	**182,639**	134,389
Work-in-progress	**239,934**	206,428
Finished goods	**2,075,783**	1,494,147
Balance, April 30, 2023 and January 31, 2023	**2,498,356**	1,834,964

Inventory has been reflected at the lower of cost and net realizable value.

6. Intangible Assets

The Company's intangible assets include the costs to develop its website and enterprise resource planning software, as well as a trade name. Changes to the intangible assets balance during the three months ended April 30, 2023 consist of the following:

Cost:	Website and ERP $	Trade name $
As at January 31, 2022	**471,251**	**3,610,000**
Additions (disposals)	-	-
As at January 31, 2023	**471,251**	**3,610,000**
Additions (disposals)	-	-
As at April 30, 2023	**471,251**	**3,610,000**
Accumulated amortization:		
As at January 31, 2022	**50,822**	**200,556**
Amortization	60,427	240,666
As at January 31, 2023	**111,249**	**441,222**
Amortization	14,734	60,167
As at April 30, 2023	**125,983**	**501,389**
Carrying amount:		
As at January 31, 2023	360,002	3,168,778
As at April 30, 2023	**345,268**	**3,108,611**

During the three months ended April 30, 2023, the Company recorded amortization expense related to the website and ERP in the amount of $14,734 (April 30, 2022 – $14,734) and the trade name in the amount of $60,167 (April 30, 2022 – $60,167).

(Unaudited - Expressed in Canadian Dollars)

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, 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 January 31, 2023	**391,342**	**34,226**	**49,804**	**1,181,494**	**52,606**	**1,709,472**
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As at April 30, 2023	**391,342**	**34,226**	**49,804**	**1,181,494**	**52,606**	**1,709,472**
Accumulated depreciation						
As at January 31, 2022	**74,933**	**5,249**	**29,776**	**257,328**	**40,585**	**407,871**
Depreciation	47,797	5,842	5,753	275,876	4,543	339,811
Disposals	-	-	-	-	-	-
As at January 31, 2023	**122,730**	**11,091**	**35,529**	**533,204**	**45,128**	**747,682**
Depreciation	11,858	1,522	1,872	54,191	1,415	70,858
Disposals	-	-	-	-	-	-
As at April 30, 2023	**134,588**	**12,613**	**37,401**	**587,395**	**46,543**	**818,540**
Net book value ($)						
As at January 31, 2023	**268,612**	**23,135**	**14,275**	**648,290**	**7,478**	**961,790**
As at April 30, 2023	**256,754**	**21,613**	**12,403**	**594,099**	**6,063**	**890,932**

During the three months ended April 30, 2023, the Company recorded depreciation expense related to property and equipment in the amount of $70,858 (April 30, 2022 – $65,364).

8. Right-of-use Assets

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

	$
Balance, January 31, 2022	**5,037,964**
Additions during the year	1,697,350
Disposals during the year	(325,514)
Lease modifications	85,178
Depreciation during the year	(1,200,608)
Balance, January 31, 2023	**5,294,370**
Additions (disposals) during the period	-
Depreciation during the period	(320,864)
Balance, April 30, 2023	**4,973,506**

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

(Unaudited - Expressed in Canadian Dollars)

9. Trade and Other Payables

The Company's trade and other payables are comprised of the following:

	April 30, 2023 $	January 31, 2023 $
Accounts payable and accrued liabilities	**3,611,589**	3,297,048
Sales tax payable	**919,253**	855,038
Excise tax payable	**244,999**	229,981
Balance, April 30, 2023 and January 31, 2023	**4,775,841**	4,382,067

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. The following represents the Company's lease obligations as at April 30, 2023:

	$
Balance, January 31, 2022	**6,080,116**
Additions during the year	1,697,350
Termination of lease contract	(371,154)
Lease modifications	85,178
Interest expense	751,203
Lease payments	(2,061,421)
Balance, January 31, 2023	**6,181,272**
Additions (disposals) during the period	-
Interest expense during the period	191,609
Lease payments	(597,224)
Balance, April 30, 2023	**5,775,657**

(Unaudited - Expressed in Canadian Dollars)

10. Lease Liabilities (continued)

Summary:

	April 30, 2023 $	January 31, 2023 $
Current portion of lease liabilities	**1,183,775**	1,213,056
Non-current lease liabilities	**4,591,882**	4,968,216
Balance, April 30, 2023 and January 31, 2023	**5,775,657**	6,181,272

The Company has commitments relating to operating leases for its retail locations and vehicles under its non-cancelable operating leases. The future minimal annual undiscounted rental payments under these operating leases as at April 30, 2023 are as follows:

One year	$ 1,818,669
Between two to five years	$ 5,231,269
More than five years	$ 196,112

11. Contract Liability

Contract liability relates to deferred revenue consisting of loyalty programs, franchise fee revenue, and service fee revenue. As at April 30, 2023, this contract liability amounted to $409,327 (January 31, 2023 – $411,558). The current portion of this contract liability amounted to $126,393 and the long-term portion of this contract liability amounted to $282,934 (January 31, 2023 – $126,075 and $285,483, respectively).

12. Loans Payable

Loans payable are comprised of the following:

	April 30, 2023 $	January 31, 2023 $
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.	**-**	1,807
Loans payable, interest bearing at rates between 12% - 24% per annum, interest only payments, monthly, secured and due on demand.	**511,379**	627,079
Balance, April 30, 2023 and January 31, 2023	**511,379**	628,886

Included in loans payable are amounts due to related parties (Note 20).

(Unaudited - Expressed in Canadian Dollars)

13. Promissory Note

On March 30, 2022, the Company acquired all of the issued and outstanding common shares of 2766563 Ontario Inc. ("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. For accounting purposes, the transaction is considered outside of the scope of IFRS 3 Business Combinations ("IFRS 3"), since 276 Ontario did not constitute a business. The transaction is accounted for in accordance with IFRS 2 Share-based Payments ("IFRS 2"), whereby the Company acquired the net assets of 276 Ontario as follows:

	$
Consideration paid	
12,000,001 common shares	**3,000,000**
Total consideration paid	**3,000,000**
Assets acquired (liabilities assumed)	
Promissory note receivable from 2360149 Ontario Inc.	**11,129,171**
Total net assets acquired:	**11,129,171**
Excess of net assets acquired over consideration paid	**8,129,171**

As a result of the acquisition of 276 Ontario, the Company's promissory note held with 276 Ontario in the amount of $11,129,171 was eliminated on consolidation and a gain on the acquisition of 276 Ontario in the amount of $nil (April 30, 2022 – $8,129,171) was recorded during the three months ended April 30, 2023.

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. 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. 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.

14. Government Loan (continued)

Accretion expense on the CEBA Loan during the three months ended April 30, 2023 amounted to $5,234 (April 30, 2022 – $4,650). As at April 30, 2023, the fair value of the CEBA Loan amounted to $184,114 (January 31, 2023 – $178,880).

15. 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 common shares and per share amounts have been retrospectively restated.

The Company did not have any common share transactions during the three months ended April 30, 2023.

During the year ended January 31, 2023, 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).

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

As at April 30, 2023 and January 31, 2023, no preferred shares were issued and outstanding.

(Unaudited - Expressed in Canadian Dollars)

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.

The following is a continuity of the Company's stock options for the three months ended April 30, 2023 and year ended January 31, 2023:

	Options Outstanding (#)	Weighted Average Exercise Price ($)	Weighted Average Life Remaining (yrs)
Balance, January 31, 2022	**735,000**	**0.50**	**2.83**
Expired	-	-	-
Granted	-	-	-
Balance, January 31, 2023	**735,000**	**0.50**	**1.83**
Expired	-	-	-
Granted	-	-	-
Balance, April 30, 2023	**735,000**	**0.50**	**1.59**
Exercisable, April 30, 2023	**735,000**	**0.50**	**1.59**

A summary of the Company's options outstanding as at April 30, 2023 is as follows:

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Weighted Average Life (yrs)
Oct. 10, 2018	Oct. 10, 2023	100,000	100,000	$0.50	0.45
Nov. 1, 2018	Nov. 1, 2023	120,000	120,000	$0.50	0.51
May 21, 2021	May 20, 2025	515,000	515,000	$0.50	2.06

(Unaudited - Expressed in Canadian Dollars)

16. Share-based Payments (continued)

Option Grants

There were no stock options issued during the three months ended April 30, 2023 and year ended January 31, 2023. No share-based payment expense was recorded during the three months ended April 30, 2023 and 2022.

17. Warrants

The following is a continuity of the Company's warrants for the three months ended April 30, 2023 and year ended January 31, 2023:

	Warrants Outstanding (#)	Weighted Average Exercise Price ($)	Weighted Average Life Remaining (yrs)
Balance, January 31, 2022	**2,962,956**	**0.68**	**1.16**
Expired	-	-	-
Granted	-	-	-
Balance, January 31, 2023	**2,962,956**	**0.68**	**0.16**
Expired	**(2,962,956)**	**0.68**	-
Granted	-	-	-
Balance, April 30, 2023	-	-	-
Exercisable, April 30, 2023	-	-	-

2,962,956 warrants expired during the three months ended April 30, 2023. No warrants were issued or outstanding as at April 30, 2023.

18. 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.

18. Capital Management (continued)

The Company's equity comprises of share capital, contributed surplus, warrant reserve, and accumulated deficit in the definition of capital. As at April 30, 2023, the Company's shareholders' equity was $1,833,369 (January 31, 2023 – $2,157,993) which included an accumulated deficit of $6,146,534 (January 31, 2023 – $5,821,910).

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 three months ended April 30, 2023. The Company is not subject to any external capital requirements.

19. Financial Instruments 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

The Company's cash is valued at Level 1. Other than that, none of the Company's financial instruments are recorded at fair value on the condensed interim consolidated statements of financial position.

Financial instruments of the Company consist of cash, accounts receivable, trade and other payables, loans payable, and government loan. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the condensed interim consolidated statements of financial position and their estimated fair values due to the relatively short-term maturities of these financial instruments. The government loan as at April 30, 2023 approximated its fair value as terms and conditions represented 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.

19. Financial Instruments and Risk Assessment (continued)

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

Credit risk

The Company is exposed to credit risk on its cash balance, and accounts receivable from customers. The credit risk associated with the Company's cash is considered low, as the cash is held with reputable financial institutions. The Company's maximum exposure to credit risk associated with its customers is limited to $1,466,914 (January 31, 2023 – $1,617,308), the balance held as at April 30, 2023. Given the Company's history with these customers and their financial strength, the Company has assessed the credit risk related to these customers as low.

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.

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 of interest rate risk, foreign exchange risk, and price risk.

(a) 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.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations to cash, accounts receivable, and trade and other payables. As at April 30, 2023, the Company had minimal accounts in foreign currencies, and considers foreign exchange risk to be insignificant.

(c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

(Unaudited - Expressed in Canadian Dollars)

20. Related Party Transactions

Key management personnel compensation

The Company defines key management personnel as the officers and directors of the Company. Key management compensation during the three months ended April 30, 2023 and 2022 is as follows:

	April 30, 2023	April 30, 2022
	$	$
Salaries and other short-term employee benefits	**186,808**	156,202
Car allowance to director	**3,378**	2,250
Director fees	**13,500**	13,500
	203,686	171,952

Related party transactions as at and for the three months ended April 30, 2023 and 2022 and the balances as at January 31, 2023, not disclosed elsewhere in these condensed interim consolidated financial statements are as follows:

a) Included in loans payable is $74,150 (January 31, 2023 – $74,150) to related parties of the Company (Note 12). These loans are unsecured, interest bearing between 12% - 24%, with no set terms of repayment;

b) Included in accounts payable is $149,860 (January 31, 2023 – $149,860) due to officers and directors of the Company (Note 9); and

c) 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 (the "Related Loan"). During the three months ended April 30, 2023, $100,000 of the amount outstanding under the Related Loan was repaid. This amount has been reflected in loans payable (Note 12). This loan is secured, bears interest at a nominal rate of 21.70% per annum, and due on demand. During the three months ended April 30, 2023, interest on the Related Loan amounted to $6,272 (April 30, 2022 – $nil).

21. 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).

22. Subsequent Events

On May 15, 2023, the Company's common shares commenced trading on the CSE under the symbol "LOTA". In connection with the CSE listing, the Company submitted a request to voluntarily delist its common shares from the TSX Venture Exchange that became effective at the close of the market on May 16, 2023.