DELOTA CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JULY 31, 2023

Prepared as at September 29, 2023

Delota Corp.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") reflects management's assessment of Delota Corp.'s ("Delota" or the "Company") financial and operating results for the three and six months ended July 31, 2023. This document should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended July 31, 2023 and the audited consolidated financial statements for the year ended January 31, 2023. 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 September 29, 2023, being the date of this report. 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. 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 Canadian Securities Exchange ("CSE") under the symbol "LOTA" and on the Frankfurt Stock Exchange under the symbol "S62". 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.com), and 4 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.

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.

About 180 Smoke

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. 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.

About 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. The Company currently operates 4 licensed dispensaries in Ontario.

Overall Performance

On June 11, 2019, the Company's common shares began trading on the TSX Venture Exchange ("TSX-V"). The Company's common shares currently trade on the CSE under the symbol "LOTA".

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 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, 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 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. 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 "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 CSE 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.

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 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 September 17, 2021, the Company completed a 5 to 1 common share consolidation.

On September 27, 2021, the Company announced that Spyder 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 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 a *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. The Company's common shares currently trade on the CSE under the symbol "LOTA".

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 held a $11,129,171 promissory note owing from 180 Smoke. As a result of the acquisition of 276 Ontario, the Company's promissory note held with 276 Ontario was eliminated on consolidation, resulting in a gain on acquisition of $8,129,171.

On May 19, 2022, Spyder 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 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 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.

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.

On July 11, 2023, the Company granted an aggregate of 1,710,000 stock options and an aggregate of 640,000 RSUs to certain directors, officers, employees and consultants of the Company. The granted stock options vest immediately and are exercisable for a period of four years from the date of issuance with an exercise price of $0.11 per common share.

Subsequent events

On September 13, 2023, the Company's common shares commenced trading on the Frankfurt Stock Exchange under the trading symbol "S62".

Selected Financial Information

The following table summarizes financial information for the three months ended July 31, 2023 and the preceding seven quarters:

Quarter Ended	Jul 31, 2023	Apr 30, 2023	Jan 31, 2023	Oct 31, 2022	Jul 31, 2022	Apr 30, 2022	Jan 31, 2022	Oct 31, 2021
	$	$	$	$	$	$	$	$
Revenue	8,300,152	7,530,309	6,912,490	6,758,167	6,480,978	5,785,867	5,578,185	5,351,308
Net income (loss) from continuing operations	(162,549)	(324,624)	(200,057)	(4,459)	(67,281)	7,944,912	(7,374,570)	(451,654)
Net income (loss) per share – basic	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	0.42	(0.54)	(0.03)

Results of Operations for the Three and Six Months Ended July 31, 2023

The condensed interim consolidated financial statements of the Company have been prepared in accordance with IFRS 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. There is a material uncertainty 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 July 31, 2023 and January 31, 2023, the 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.

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 six months ended July 31, 2023 and 2022:

	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	**Six Months Ended July 31, 2023**	Six Months Ended July 31, 2022
	$	$	**$**	$
Revenue	**8,300,152**	6,480,978	**15,830,461**	12,266,845
Cost of goods sold	**4,886,611**	3,434,096	**9,332,428**	6,430,200
Gross profit	**3,413,541**	3,046,882	**6,498,033**	5,836,645
Expenses				
Salaries and wages	**1,647,277**	1,432,337	**3,265,112**	2,810,715
Office and general	**450,899**	438,552	**1,043,031**	948,805
Rent and utilities	**228,682**	309,047	**498,008**	523,436
Stock-based compensation	**218,981**	-	**218,981**	-
Delivery	**179,439**	133,484	**330,933**	271,126
Professional fees	**91,939**	45,278	**144,933**	95,331
Advertising and promotion	**43,588**	6,959	**82,414**	85,012
Repairs and maintenance	**10,595**	88,513	**33,015**	134,343
Foreign exchange loss	**6,962**	11,925	**13,329**	8,850
Depreciation	**70,945**	50,402	**141,803**	115,766
Depreciation of right-of-use assets	**313,226**	318,220	**634,090**	580,163
Amortization	**15,230**	15,230	**29,964**	29,964
Interest on loans payable	**26,783**	37,922	**51,285**	73,418
Interest on lease liabilities	**232,572**	199,831	**424,181**	372,317
Accretion	**5,569**	4,948	**10,803**	9,598
Total expenses	**3,542,687**	3,092,648	**6,921,882**	6,058,844
Income (loss) before other income (expenses)	**(129,146)**	(45,766)	**(423,849)**	(222,199)
Other income	**10,819**	22,707	**25,121**	59,104
Amortization of intangible assets - trade name	**(60,166)**	(60,166)	**(120,333)**	(120,333)
Gain on acquisition of 276 Ontario	-	-	-	8,129,171
Income (loss) before income tax recovery	**(178,493)**	(83,225)	**(519,061)**	7,845,743
Deferred tax recovery	**15,944**	15,944	**31,888**	31,888
Net income (loss) and comprehensive income (loss)	**(162,549)**	(67,281)	**(487,173)**	7,877,631

Revenue

Total revenue for the three and six months ended July 31, 2023 amounted to $8,300,152 and $15,830,461, respectively, as compared to $6,480,978 and $12,266,845, respectively, for the three and six months ended July 31, 2022. The increase in revenue during the three and six months ended July 31, 2023 as compared to 2022 was primarily attributable to the Company's increased retail footprint of 180 Smoke vape stores and Offside Cannabis dispensaries, an industry-wide increase in vaping product pricing resulting from the introduction of a Canadian vaping product excise tax, and an overall increase in retail, franchise and e-commerce sales of 180 Smoke.

The Company had the largest increase in revenue from its brick-and-mortar retail business, increasing by $936,739 and $2,106,877 during the three and six months ended July 31, 2023 as compared to 2022. This was primarily attributable to the Company's increased retail footprint of 180 Smoke vape stores and Offside Cannabis dispensaries and an industry-wide increase in product pricing resulting from the introduction of a Canadian vaping product excise tax. Revenue from the Company's vape wholesale business increased by $103,859 and $177,731 during the three and six months ended July 31, 2023 as compared to 2022. Revenue from the Company's vape franchise business increased by $362,977 and $657,920 during the three and six months ended July 31, 2023 as compared to 2022. Revenue from the Company's vape e-commerce business increased by $415,599 and $621,089 during the three and six months ended July 31, 2023 as compared to 2022. Increases across the Company's wholesale, franchise and e-commerce businesses were also primarily attributable to the industry-wide increase in vaping product pricing and overall growth of the Company's 180 Smoke retail platform.

Revenue during the three and six months ended July 31, 2023 and 2022 was comprised of the following:

	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	**Six Months Ended July 31, 2023**	Six Months Ended July 31, 2022
	$	$	**$**	$
Retail	**5,464,144**	4,527,405	**10,465,801**	8,358,924
Wholesale	**283,314**	179,455	**505,394**	327,663
Franchise	**1,344,771**	981,794	**2,579,182**	1,921,262
E-commerce	**1,207,923**	792,324	**2,280,084**	1,658,996
Total Revenue	**8,300,152**	6,480,978	**15,830,461**	12,266,845

Cost of goods sold

Cost of goods sold for the three and six months ended July 31, 2023 amounted to $4,886,611 and $9,332,428, respectively, as compared to $3,434,096 and $6,430,200, respectively, for the three and six months ended July 31, 2022. The increase in cost of goods sold during the three and six months ended July 31, 2023 as compared to 2022 was attributable to increased inventory purchases to service the overall increase in sales as discussed above and an increase in vaping product pricing of pre-taxed vaping products.

Gross profit

Gross profit for the three and six months ended July 31, 2023 amounted to $3,413,541 and $6,498,033, respectively, as compared to $3,046,882 and $5,836,645, respectively, for the three and six months ended July 31, 2022.

Expenses

Salaries and wages

Salaries and wages for the three and six months ended July 31, 2023 amounted to $1,647,277 and $3,265,112, respectively, as compared to $1,432,337 and $2,810,715, respectively, for the three and six months ended July 31, 2022. The increase in salaries and wages expense during the three and six months ended July 31, 2023 as compared to 2022 was primarily attributable to additional staff required to support the Company's growing retail footprint.

Office and general

Office and general for the three and six months ended July 31, 2023 amounted to $450,899 and $1,043,031, respectively, as compared to $438,552 and $948,805, respectively, for the three and six months ended July 31, 2022. The increase in office and general expense during the three and six months ended July 31, 2023 as compared to 2022 was primarily attributable to the Company's overall increased business activity to support its growing retail footprint.

Rent and utilities

Rent and utilities for the three and six months ended July 31, 2023 amounted to $228,682 and $498,008, respectively, as compared to $309,047 and $523,436, respectively, for the three and six months ended July 31, 2022. Rent and utilities expense is related to the Company's long-term leases on its 180 Smoke vape stores and Offside Cannabis dispensary locations.

Stock-based compensation

Stock-based compensation for the three and six months ended July 31, 2023 amounted to $218,981 as compared to $nil for the three and six months ended July 31, 2022. Stock-based compensation for the three and six months ended July 31, 2023 was in relation to the issuance of stock options and RSUs under the Company's Omnibus Plan issued certain to directors, officers, employees, and consultants of the Company.

Delivery

Delivery for the three and six months ended July 31, 2023 amounted to $179,439 and $330,933, respectively, as compared to $133,484 and $271,126, respectively, for the three and six months ended July 31, 2022. Delivery expense relates to delivery costs associated with 180 Smoke's e-commerce platform. The increase in delivery expense during the three and six months ended July 31, 2023 as compared to 2022 was attributable to increased e-commerce sales.

Professional fees

Professional fees for the three and six months ended July 31, 2023 amounted to $91,939 and $144,933, respectively, as compared to $45,278 and $95,331, respectively, for the three and six months ended July 31, 2022. Professional fees relate to legal and accounting fees. The increase in professional fees during the three and six months ended July 31, 2023 as compared to 2022 was primarily attributable to transaction specific legal fees associated with the Company's CSE listing and delisting from the TSX-V.

Advertising and promotion

Advertising and promotion for the three and six months ended July 31, 2023 amounted to $43,588 and $82,414, respectively, as compared to $6,959 and $85,012, respectively, for the three and six months ended July 31, 2022. Advertising and promotion expense relates to the Company's marketing efforts of 180 Smoke and Offside Cannabis brands.

Repairs and maintenance

Repairs and maintenance for the three and six months ended July 31, 2023 amounted to $10,595 and $33,015, respectively, as compared to $88,513 and $134,343, respectively, for the three and six months ended July 31, 2022. Repairs and maintenance expense is attributable to general repairs and maintenance required on the Company's equipment and leased properties.

Foreign exchange loss

Foreign exchange loss for the three and six months ended July 31, 2023 amounted to $6,962 and $13,329, respectively, as compared to $11,925 and $8,850, respectively, for the three and six months ended July 31, 2022. Foreign exchange gains and losses are a result of exchange rate fluctuations related to transactions based in United States dollars.

Depreciation

Depreciation for the three and six months ended July 31, 2023 amounted to $70,945 and $141,803, respectively, as compared to $50,402 and $115,766, respectively, for the three and six months ended July 31, 2022. 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 six months ended July 31, 2023 as compared to 2022 was attributable to increased depreciation expense on leasehold improvements associated with the Company's growing retail footprint.

Depreciation of right-of-use assets

Depreciation of right-of-use assets for the three and six months ended July 31, 2023 amounted to $313,226 and $634,090, respectively, as compared to $318,220 and $580,163, respectively, for the three and six months ended July 31, 2022. Depreciation of right-of-use assets relates to depreciation on the Company's long-term leases on its 180 Smoke vape stores and Offside Cannabis dispensary locations.

Amortization

Amortization for the three and six months ended July 31, 2023 amounted to $15,230 and $29,964, respectively, as compared to $15,230 and $29,964, respectively, for the three and six months ended July 31, 2022. Amortization expense relates to amortization of the Company's intangible assets.

Interest on loans payable

Interest on loans payable for the three and six months ended July 31, 2023 amounted to $26,783 and $51,285, respectively, as compared to $37,922 and $73,418, respectively, for the three and six months ended July 31, 2022. 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 six months ended July 31, 2023 amounted to $232,572 and $424,181, respectively, as compared to $199,831 and $372,317, respectively, for the three and six months ended July 31, 2022. Interest on lease liabilities relates to the interest expense on the Company's long-term leases on its 180 Smoke vape stores and Offside Cannabis dispensary locations.

Accretion

Accretion for the three and six months ended July 31, 2023 amounted to $5,569 and $10,803, respectively, as compared to $4,948 and $9,598, respectively, for the three and six months ended July 31, 2022. Accretion expense relates to the accretion of the Company's Canada Emergency Business Account loans.

Total Expenses

During the three and six months ended July 31, 2023, the Company recorded total expenses of $3,542,687 and $6,921,882, respectively, as compared to total expenses of $3,092,648 and $6,058,844, respectively, during the three and six months ended July 31, 2022.

Other Income (Expenses)

Other income

Other income for the three and six months ended July 31, 2023 amounted to $10,819 and $25,121, respectively, as compared to $22,707 and $59,104, respectively, for the three and six months ended July 31, 2022. Other income relates to miscellaneous revenue earned.

Amortization of intangible assets – trade name

Amortization of intangible assets - trade name for the three and six months ended July 31, 2023 amounted to $60,166 and $120,333, respectively, as compared to $60,166 and $120,333, respectively, for the three and six months ended July 31, 2022. The 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 of 276 Ontario

Gain on acquisition of 276 Ontario for the three and six months ended July 31, 2023 amounted to $nil as compared to $nil and $8,129,171, respectively, for the three and six months ended July 31, 2022. The gain on acquisition during the six months ended July 31, 2022 was attributable to 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 six months ended July 31, 2022.

Deferred tax recovery

Deferred tax recovery for the three and six months ended July 31, 2023 amounted to $15,944 and $31,888, respectively, as compared to $15,944 and $31,888, respectively, for the three and six months ended July 31, 2022. Deferred tax recovery relates to the change in the temporary difference of the acquired trade name as a result of the amortization recorded on the respective trade name.

Net Income (Loss) and Comprehensive Income (Loss)

During the three months ended July 31, 2023, the Company recorded a net loss of $162,549 as compared to $67,281 during the three months ended July 31, 2022. During the six months ended July 31, 2023, the Company recorded a net loss of $487,173 as compared to net income of $7,877,631 during the six months ended July 31, 2022.

Liquidity and Capital Resources

As at July 31, 2023, the Company had total assets of $14,201,888 (January 31, 2023 – $14,780,382) consisting of cash of $783,770, accounts receivable of $1,623,333, inventory of $2,734,978, prepaid expenses of $201,057, intangible assets of $330,038, intangible assets – trade name of $3,048,445, property and equipment of $819,987, and right-of-use assets of $4,660,280.

As at January 31, 2023, the Company had total assets of $14,780,382 consisting of cash of $1,271,482, accounts receivable of $1,617,308, inventory of $1,834,964, prepaid expenses of $271,688, intangible assets of $360,002, intangible assets – trade name of $3,168,778, property and equipment of $961,790, and right-of-use assets of $5,294,370.

The decrease in assets from January 31, 2023 to July 31, 2023 was primarily attributable to a decrease in cash and right-of-use assets.

As at July 31, 2023, the Company had total liabilities of $12,312,087 (January 31, 2023 – $12,622,389) consisting of trade and other payables of $4,802,605, current lease liabilities of $1,093,582, current contract liabilities of $129,695, current government loan of $189,683, loans payable of $559,379, non-current lease liabilities of $4,442,955, non-current contract liabilities of $286,350, and deferred tax liabilities of $807,838.

As at January 31, 2023, the Company had total liabilities of $12,622,389 consisting of trade and other payables of $4,382,067, current lease liabilities of $1,213,056, current contract liabilities of $126,075, current government loan of $178,880, loans payable of $628,886, non-current lease liabilities of $4,968,216, non-current contract liabilities of $285,483, and deferred tax liabilities of $839,726.

The decrease in liabilities from January 31, 2023 to July 31, 2023 was primarily attributable to the decrease in lease liabilities.

Cash Flows Provided by and Used in Operating Activities

Cash flows provided by operating activities for the six months ended July 31, 2023 amounted to $648,904 as compared to $746,229 for the six months ended July 31, 2022 due to the reasons discussed above.

Cash Flows Provided by and Used in Financing Activities

Cash flows used in financing activities for the six months ended July 31, 2023 amounted to $1,136,616 as compared to $838,376 for the six months ended July 31, 2022. During the six months ended July 31, 2023, the Company repaid loans payable in the amount of $115,700, received proceeds from loans payable in the amount of $48,000, and paid $1,068,916 towards the Company's lease obligations. During the six months ended July 31, 2022, the Company received proceeds from loans payable in the amount of $34,735 and paid $873,111 towards the Company's lease obligations.

Cash Flows Used in Investing Activities

Cash flows used in investing activities for the six months ended July 31, 2023 amounted to $nil as compared to $211,703 for the six months ended July 31, 2022. During the six months ended July 31, 2022, the Company's investing activities were in relation to the purchase of property and equipment.

Summary

During the three and six months ended July 31, 2023, the Company had a net loss in the amount of $162,549 and $487,173, respectively (July 31, 2022 – net loss of $67,281 and net income of $7,877,631, respectively), had an accumulated deficit of $6,309,083 (January 31, 2023 – $5,821,910) as at July 31, 2023 and had a working capital deficiency of $1,431,806 (January 31, 2023 – $1,533,522) as at July 31, 2023.

The Company has financed its operations from inception to date through the issuance of debt and equity securities. Currently, the Company's 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 July 31, 2023 and January 31, 2023, 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 27,449,615 common shares of the Company issued and outstanding as at July 31, 2023 and at the date of this report. There were options for the purchase of 2,445,000 common shares of the Company issued and outstanding as at July 31, 2023 and at the date of this report. There were no warrants issued and outstanding as at July 31, 2023 and at 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 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 tested for impairment of goodwill, and determined that the amount allocated to goodwill was impaired. 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 net income (loss) and comprehensive income (loss). As the goodwill amount was written off in the prior year, there was no subsequent goodwill impairment testing to be done during the three and six months ended July 31, 2023.

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 common shares and per share amounts have been retrospectively restated.

During the six months ended July 31, 2023, the Company had the following common share transactions:

- On July 13, 2023 and in connection with the grant of RSUs, the Company issued 640,000 common shares at a value of $0.10 per share to certain directors, officers, employees, and consultants of the Company.

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.

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 July 31, 2023 and January 31, 2023, no preferred shares were issued and outstanding.

Warrants

The following is a continuity of the Company's warrants for the six months ended July 31, 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, July 31, 2023	-	-	-
Exercisable, July 31, 2023	-	-	-

During the six months ended July 31, 2023, 2,962,956 warrants expired, unexercised. No warrants were issued or outstanding as at July 31, 2023.

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 Options for the six months ended July 31, 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**
Granted	-	-	-
Expired	-	-	-
Balance, January 31, 2023	**735,000**	**0.50**	**1.83**
Granted	**1,710,000**	**0.11**	**4.00**
Expired	**-**	**-**	**-**
Balance, July 31, 2023	**2,445,000**	**0.23**	**3.16**
Exercisable, July 31, 2023	**2,445,000**	**0.23**	**3.16**

A summary of the Company's Options outstanding as at July 31, 2023 is as follows:

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Weighted Average Life (Years)
10-Oct-18	10-Oct-23	100,000	100,000	$0.50	0.19
01-Nov-18	01-Nov-23	120,000	120,000	$0.50	0.25
21-May-21	20-May-25	515,000	515,000	$0.50	1.81
10-Jul-23	09-Jul-27	1,710,000	1,710,000	$0.11	3.94

Option Grants

On July 10, 2023, the Company issued Options for the purchase of up to 1,710,000 common shares of the Company to certain Company's directors, officers, employees, and consultants. These Options are exercisable for a period of four years from the date of issuance with an exercise price of $0.11 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	4.00	%
Expected life	4 years	
Estimated volatility in the market price of the common shares	166	%
Dividend yield	Nil	

During the three and six months ended July 31, 2023, the Company expensed $154,981 in the fair value of Options as a result of the above issuance which has been recorded as stock-based compensation. No share-based payment expense was recorded during the three and six months ended July 31, 2022 or year ended January 31, 2023.

Restricted Share Units

On July 10, 2023, the Company granted 640,000 RSUs to certain Company's directors, officers, employees, and consultants, vesting immediately. These RSUs were valued at $0.10 per RSU, based on the market value of the Company's stock at the time of issuance for total consideration of $64,000. On July 13, 2023, these RSUs were converted into Common Shares of the Company, which resulted in $64,000 being transferred from contributed surplus to share capital.

During the three and six months ended July 31, 2023, the Company expensed $64,000 in the fair value of RSUs (July 31, 2022 – $nil) as a result of this 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 six months ended July 31, 2023 and 2022 is as follows:

	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	**Six Months Ended July 31, 2023**	Six Months Ended July 31, 2022
	$	$	**$**	$
Salaries and other short-term employee benefits	**194,360**	153,541	**381,168**	309,743
Car allowance to director	**3,024**	2,250	**6,402**	4,500
Director fees	**13,500**	13,500	**27,000**	27,000
Share-based compensation	**136,164**	-	**136,164**	-
	347,048	169,291	**550,734**	341,243

Related party transactions as at and for the three and six months ended July 31, 2023 and 2022 and the balances as at July 31, 2023 and January 31, 2023, not disclosed elsewhere in the Company's condensed interim consolidated financial statements are as follows:

a) Included in loans payable is $122,150 (January 31, 2023 – $74,150) to related parties of the Company, associated with the chairman of the Company. 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; 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 and six months ended July 31, 2023, $100,000 of the amount outstanding under the Related Loan was repaid. 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 six months ended July 31, 2023, interest on the Related Loan amounted to $5,470 and $11,742, respectively (July 31, 2022 – $237 and $237, respectively).

Loans Payable

Loans payable are comprised of the following:

	July 31, 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.	**559,379**	627,079
Balance, July 31, 2023 and January 31, 2023	**559,379**	628,886

Interest expense on loans payable amounted to $26,783 and $51,285, respectively, (July 31, 2022 – $37,922 and $73,418, respectively) during the three and six months ended July 31, 2023.

Promissory Note

On March 30, 2022, the Company acquired all of the issuing 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"). 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 (July 31, 2022 – $8,129,171) was recorded during the six months ended July 31, 2023.

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.

Accretion expense on the CEBA Loan during the three and six months ended July 31, 2023 amounted to $5,569 and $10,803, respectively (July 31, 2022 – $4,948 and $9,598, respectively). As at July 31, 2023, the fair value of the CEBA Loan amounted to $189,683 (January 31, 2023 – $178,880).

Off Balance Sheet Arrangements

As at July 31, 2023, 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 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, the condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

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; 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 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, 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.

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 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.

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 variable costs, and 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 net income (loss) and comprehensive income (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 net income (loss) and comprehensive income (loss)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 net income (loss) and comprehensive income (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.

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%
Plant and machinery	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	Lease term
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 net income (loss) and comprehensive income (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 net income (loss) and comprehensive income (loss).

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, 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.

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 net income (loss) and comprehensive income (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 net income (loss) and comprehensive income (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 net income (loss) and comprehensive income (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 net income (loss) and comprehensive income (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.

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 warrant reserve.

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 (loss) per common share

Basic income (loss) per common share is computed by dividing the net income (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 income (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.

Income taxes

Tax expense is comprised of current and deferred tax. Tax is recognized in the consolidated statements of net income (loss) and comprehensive income (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 net income (loss) during the period in which the change occurs. Realized and unrealized gains or losses resulting from assets held at FVPTL are included in the consolidated statements of net income (loss) and comprehensive income (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 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 the consolidated statements of net income (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. 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 of its financial instruments:

Financial instrument	**Classification**
Cash	FVTPL
Accounts receivable	Amortized cost
Trade and other payables	Amortized cost
Government loan	Amortized cost
Loans payable	Amortized cost

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.

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.

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 July 31, 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.

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 $1,623,333 (January 31, 2023 – $1,617,308), the balance held as at July 31, 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: interest rate risk, foreign exchange risk, and price risk.

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.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations to cash, accounts receivable, and trade and other payables. As at July 31, 2023, the Company had minimal accounts in foreign currencies, and considers foreign exchange risk to be insignificant.

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.

Other 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 is attached as Schedule "A" to the Company's Annual Information Form dated January 31, 2023 which was filed on February 3, 2023 on the Company's SEDAR+ profile at www.sedarplus.ca.

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.sedarplus.ca.