MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JANUARY 31, 2024 AND 2023

Prepared as at May 30, 2024

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 year ended January 31, 2024. This document should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 2024. The Company's consolidated financial statements and the financial information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC").

This MD&A is prepared by management as at May 30, 2024, which is 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 SEDAR+, which are available at www.sedarplus.ca.

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 "NIC" and on the Frankfurt Stock Exchange under the symbol "S62". The Company's corporate and registered office is 7941 Jane Street, Unit 2, Concord, Ontario, L4K 2M7.

The Company is a nicotine vape enterprise that spearheads the smoke-free revolution in Canada, catering to adult consumers seeking alternatives to traditional combustible tobacco. With a strong emphasis on delivering exceptional retail experiences and carefully curated product offerings, the Company is dedicated to redefining the way people transition away from smoking. The Company's flagship brand, 180 Smoke Vape Store, stands as Ontario's largest omni-channel specialty vape retailer, fueling innovation, growth, and leadership in the nicotine vape and alternative tobacco sector.

The Company currently operates 29 brick-and-mortar specialty vape stores in Ontario under the 180 Smoke Vape Store brand, a leading national e-commerce platform www.180smoke.ca, and 3 licenced dispensaries in Ontario under the Offside Cannabis brand.

Delota is the largest omni-channel specialty vape retailer in Ontario with a mission of becoming the largest national specialty retailer of nicotine vape and alternative tobacco products. The Company's growth strategy includes aggressively growing its flagship brand, 180 Smoke Vape Store, by expanding its retail footprint organically in Ontario and select provinces across Canada, strengthening its national e-commerce platform, and through strategic M&A to accelerate growth and market consolidation. The Company is committed to expanding its nicotine product assortment, enhancing customer experience, and growing its loyalty accounts, which now exceeds 220,000 members.

About 180 Smoke

In 2021, the Company acquired 180 Smoke which has solidified its reputation as a trusted destination for vape enthusiasts for over a decade. Boasting 29 brick-and-mortar retail locations across Ontario and a thriving national e-commerce platform, 180 Smoke has firmly established a prominent presence within Canada serving over 220,000 loyalty members across its platforms.

180 Smoke is committed to delivering an unparalleled retail experience fueled by an education-focused sales approach that ensures exceptional customer service at every interaction. Meticulously designed store layouts, a curated selection of top-notch brands and products, and strategic partnerships with renowned manufacturers further enhance the brand's unique and elevated shopping experience, firmly positioning 180 Smoke as the leading go-to vape destination.

Additionally, 180 Smoke is a licensed Canadian vape manufacturer with an ISO 7 standard manufacturing facility at its head office in Concord, Ontario. The Company has developed a robust portfolio of nicotine e-liquid brands, primarily sold through its branded stores and e-commerce platform. Private label brands provide the Company with a competitive advantage and a core differentiator in its product assortment, which increases customer engagement and loyalty.

About Offside Cannabis

Offside Cannabis is a value-centered dispensary brand providing retail and online services. The Company currently operates 3 licensed dispensaries in Ontario.

Overall Performance

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 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 21, 2021, the Company announced the appointment of Christina Pan as Chief Operating Officer of the Company.

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

On November 17, 2021, the Company changed its name from "Spyder Cannabis Inc." to "Delota Corp." The Company's common shares currently trade on the CSE under the symbol "NIC" and on the Frankfurt Stock Exchange under the symbol "S62".

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, the Company's wholly-owned subsidiary, Spyder Cannabis Subco Inc. ("Spyder Subco"), received a *Retail Store Authorization* from the Alcohol and Gaming Commission of Ontario (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 a *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. 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. The Company's common shares currently trade on the CSE under the symbol "NIC".

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.

On September 25, 2023, the Company's common shares commenced trading on the Frankfurt Stock Exchange under the symbol "S62".

On November 1, 2023, the Company amended its previously entered non-exclusive issuer trading services agreement (the "Trading Agreement") with Independent Trading Group, Inc. ("ITG"), for an amended term of three months. Pursuant to Trading Agreement, ITG will be compensated in the amount of $7,000 per month for November 2023, December 2023, and January 2024 and will thereafter be compensated in the amount of $5,000 per month unless terminated in accordance with the provisions of the Trading Agreement.

On December 19, 2023, the Company closed a non-brokered private placement (the "Offering") of senior secured convertible debenture units (the "Debenture Units") of the Company for aggregate gross proceeds of $900,000. In connection with the Offering, the Company issued an aggregate of 900 Debenture Units to subscribers at a price of $1,000 per Debenture Unit. Each Debenture Unit consisted of: (i) a $1,000 principal senior secured convertible debenture (each a "Debenture"); and (ii) 10,000 common share purchase warrants of the Company (each a "Debenture Warrant"). The Debentures mature 18 months from the date of issuance and bear interest at a rate of 1% per month, beginning on the date of issuance and payable in cash on the last day of each calendar month. The principal sum of the Debentures, or any portion thereof, and any accrued but unpaid interest, may be converted into common shares of the Company until December 19, 2026 at a conversion price of $0.10 per share, subject to adjustments conditional upon compliance with the polices of the CSE. Each Debenture Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.15 per share, subject to adjustments conditional upon compliance with the polices of the CSE, for a period of 36 months from the date of issuance. The obligations under the Debentures are collaterally secured by a general security agreement from the Company and its wholly-owned subsidiaries, 2360149 Ontario Inc., 180 VFC Inc., 1000712645 Ontario Inc., and Spyder Cannabis Subco Inc. (collectively, the "Guarantors") and a pledge of the security interests of the Guarantors.

On December 19, 2023, the Company opened a 180 Smoke Vape Store located at 103 10th Street East, Owen Sound, Ontario expanding 180 Smoke's brick-and-mortar presence to 29 locations.

Subsequent Events

On February 5, 2024, the Company completed debt settlements in the aggregate amount of $215,000 with certain creditors of the Company to preserve the Company's cash for working capital through the issuance of 1,535,715 units of the Company (each, a "Settlement Unit") at a price of $0.14 per Settlement Unit. Each Settlement Unit consisted of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.15 per share for a period of 24 months from the date of issuance.

On March 14, 2024, the Company retained Strike Communications Inc. ("Strike") to perform capital markets and corporate communications services. Strike is a boutique capital markets, investor relations and corporate communications firm with extensive experience across various industries. Strike will assist with the creation, coordination and implementation of the Company's targeted capital markets strategy and investor relations

objectives. As compensation for its services, Strike will receive a fee of $8,000 per month which will continue on a month-to-month basis and may be terminated by either party upon 60 days' written notice. Furthermore, the Company granted options for the purchase of up to 150,000 common shares of the Company to Strike that are exercisable for a period of two years from the date of issuance with an exercise price of $0.20 per share. These issued options vest over a period of one year in four equal installments every three months following the date of grant.

On April 2, 2024, the Company changed its stock symbol from "LOTA" to "NIC" on the CSE. The new stock symbol is intended to better reflect the Company's mission of becoming the largest national specialty retailer of nicotine vape and alternative tobacco products.

On April 11, 2024, the Company provided a corporate update on significant growth and progress. Since acquiring its flagship brand, 180 Smoke, Delota has seen consistent and meaningful growth across its entire platform.

On April 29, 2024, the Company announced the expansion of its product portfolio with the addition of nicotine-based Siberia White Snus pouches through a partnership with GN Canada, the exclusive Canadian distributor and partner with global snus leader GN Tobacco. Snus is a smokeless tobacco product that originated in Sweden. White Snus is 99% tobacco-free and represents the evolution of products in this category. Snus and White Snus are available in small pouches that users place under their upper lip which are often used as an alternative to smoking cigarettes or other tobacco products.

Key Financial Highlights

- Generated total revenue of $34,069,680 for the year ended January 31, 2024, reflecting year-over-year growth of 31% as compared to the year ended January 31, 2023.
  - 40% gross profit margin for the year ended January 31, 2024.
  - Positive Adjusted EBITDA (as defined below) of $235,552 for the year ended January 31, 2024.
- Generated total revenue of $10,152,051 for the three months ended January 31, 2024, reflecting year-over-year growth of 47% as compared to the three months ended January 31, 2023.
  - 38% gross profit margin for the three months ended January 31, 2024.
  - Positive Adjusted EBITDA of $331,138 for the three months ended January 31, 2024.
- Revenue during the years ended January 31, 2024 and 2023 was comprised of the following:
  - 180 Smoke's omni-channel specialty vape retail revenue derived from the sale of nicotine vape and alternative tobacco products amounted to $30,309,144 for the year ended January 31, 2024 as compared to $22,893,651 for the year ended January 31, 2023. This segment accounted for 89% of total revenue during the year ended January 31, 2024 and was comprised of the following:
    - B2C direct to consumer retail revenue (both brick-and-mortar and e-commerce) amounted to $23,434,410 for the year ended January 31, 2024 as compared to $16,665,015 for the year ended January 31, 2023; and
    - B2B direct to business franchise, wholesale, and partnership revenue amounted to $6,874,734 for the year ended January 31, 2024 as compared to $6,228,636 for the year ended January 31, 2023.
  - Offside Cannabis' retail revenue derived from the sale of cannabis products amounted to $3,760,536 for the year ended January 31, 2024 as compared to $3,043,851 for the year ended January 31, 2023. These were direct to consumer sales which accounted for 11% of total revenue during the year ended January 31, 2024.

Selected Financial Information

The following table summarizes financial information for the three months ended January 31, 2024 and the preceding seven quarters:

Quarter Ended	Jan 31, 2024	Oct 31, 2023	Jul 31, 2023	Apr 30, 2023	Jan 31, 2023	Oct 31, 2022	Jul 31, 2022	Apr 30, 2022
	$	$	$	$	$	$	$	$
Revenue	10,152,051	8,087,168	8,300,152	7,530,309	6,912,490	6,758,167	6,480,978	5,785,867
Net income (loss) and comprehensive income	(959,575)	(545,828)	(162,549)	(324,624)	(200,057)	(4,459)	(67,281)	7,944,912
Earnings (loss) per share – basic	(0.04)	(0.02)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	0.42

Selected Annual Information

The following selected financial data for each of the three most recently completed financial years are derived from the Company's annual audited consolidated financial statements.

For the Years Ended January 31,	2024	2023	2022
	$	$	$
Revenue	34,069,680	25,937,502	17,685,848
Net income (loss) for the year	(1,992,576)	7,673,115	(8,844,970)
Net earnings (loss) per share - basic and diluted	(0.07)	0.31	(0.65)
Working capital (deficit)	(771,198)	(1,533,522)	(11,600,886)
Total assets	13,735,729	14,780,382	13,405,060
Total non-current liabilities	6,565,672	6,093,425	6,816,858
Total liabilities	13,351,331	12,622,389	21,920,182
Share capital	7,592,481	7,528,481	4,528,481
Warrant reserve	99,398	99,398	99,398
Contributed surplus	507,005	352,024	352,024
Deficit	(7,814,486)	(5,821,910)	(13,495,025)
Shareholders' equity (deficiency)	384,398	2,157,993	(8,515,122)

Adjusted EBITDA

The Company's "Adjusted EBITDA" is a non-IFRS metric used by management that does not have any standardized meaning prescribed by IFRS and may not be fully comparable to similar measures presented by other companies. Management defines Adjusted EBITDA as the net income (loss) reported, before income taxes and other expense (income) items such as finance costs, finance income, gains and losses related to derivative liability valuations, and adjusted for share-based compensation, depreciation and amortization expenses, gains and losses related to the revaluations of its right-of-use assets and lease liabilities and foreign exchange differences.

The reconciliation of net income (loss) to Adjusted EBITDA is presented below.

For the Years Ended January 31,	2024 $	2023 $	2022 $
Net income (loss) for the year – as reported	(1,992,576)	7,673,115	(8,898,117)
Depreciation and amortization	575,431	640,904	489,072
Interest and accretion expenses	330,492	162,818	143,173
Stock-based compensation	218,981	-	180,663
Fair value adjustment of derivative liabilities	566,212	-	-
Gain on acquisition of 276 Ontario	-	(8,129,171)	-
Deferred tax recovery	(63,777)	(63,777)	(53,147)
Lease adjustments	567,395	(145,265)	142,822
Foreign exchange loss	33,394	7,745	7,325
Impairment	-	-	6,919,963
Adjusted EBITDA	**235,552**	**146,369**	**(1,068,246)**

Results of Operations for the Year Ended January 31, 2024

These 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 Company's 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 the Company receiving sufficient funding to support its operations. The Company intends to finance its future requirements through a combination of debt or equity financing. There is no assurance that the Company will be able to obtain such financing or obtain them on favorable terms. These material uncertainties cast significant doubt as to the Company's ability to continue as a going concern. As at January 31, 2024 and 2023, the Company's 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.

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 years ended January 31, 2024 and 2023:

	January 31, 2024 **$**	January 31, 2023 $
Revenue	**34,069,680**	25,937,502
Cost of goods sold	**20,448,586**	13,730,610
Gross profit	**13,621,094**	12,206,892
Operating expenses	**14,335,286**	12,729,900
Other income (expense)	**(1,278,384)**	8,196,123
Net income (loss) and comprehensive income (loss)	**(1,992,576)**	7,673,115

Revenue

Revenue during the years ended January 31, 2024 and 2023 was comprised of the following:

	January 31, 2024 **$**	January 31, 2023 $
180 Smoke – Vape (B2C – Direct to Consumer)	**23,434,410**	16,665,015
180 Smoke – Vape (B2B – Franchise, Wholesale and Partnership)	**6,874,734**	6,228,636
Offside Cannabis – Cannabis (B2C – Direct to Consumer)	**3,760,536**	3,043,851
Total revenue	**34,069,680**	25,937,502

Revenue for the year ended January 31, 2024 amounted to $34,069,680 as compared to $25,937,502 for the year ended January 31, 2023, a year-over-year increase of 31%. The increase in revenue during the year ended January 31, 2024 as compared to 2023 was primarily attributable to the growth of 180 Smoke's omni-channel specialty vape platform, derived from the sale of nicotine vape and alternative tobacco products, and an industry-wide increase in vaping product pricing resulting from the introduction of a Canadian vaping product excise tax introduced during the year ended January 31, 2023. 180 Smoke's platform consists of B2C direct to consumer retail revenue (both brick-and-mortar and e-commerce) and B2B direct to business franchise, wholesale and partnership revenue. 180 Smoke's platform accounted for 89% of the Company's total revenue during the year ended January 31, 2024.

180 Smoke's B2C channel revenue for the year ended January 31, 2024 amounted to $23,434,410 as compared to $16,665,015 for the year ended January 31, 2023, a year-over-year increase of 41%. 180 Smoke's B2C channel accounted for 69% of the Company's total revenue during the year ended January 31, 2024.

180 Smoke's B2B channel revenue for the year ended January 31, 2024 amounted to $6,874,734 as compared to $6,228,636 for the year ended January 31, 2023, a year-over-year increase of 10%. 180 Smoke's B2B channel accounted for 20% of the Company's total revenue during the year ended January 31, 2024.

Offside Cannabis' B2C channel revenue for the year ended January 31, 2024 amounted to $3,760,536 as compared to $3,043,851 for the year ended January 31, 2023, a year-over-year increase of 24%. These were direct to consumer sales derived from the sale of cannabis products which accounted for 11% of the Company's total revenue during the year ended January 31, 2024.

Cost of goods sold

Cost of goods sold for the year ended January 31, 2024 amounted to $20,448,586 as compared to $13,730,610 for the year ended January 31, 2023. The increase in cost of goods sold during the year ended January 31, 2024 as compared to 2023 was consistent with an overall increase in revenue as discussed above and an increase in product pricing of excise-taxed vaping products.

Gross profit

Gross profit for the year ended January 31, 2024 amounted to $13,621,094 as compared to $12,206,892 for the year ended January 31, 2023. During the year ended January 31, 2024, the Company had a 40% gross profit margin as compared to a 47% gross profit margin during the year ended January 31, 2023 resulting from an increase in product pricing of excise-taxed vaping products.

Operating Expenses

The Company’s operating expenses were comprised of the following for the years ended January 31, 2024 and 2023:

	January 31, 2024	January 31, 2023
	$	$
Expenses		
Salaries and wages	**6,661,962**	5,830,660
Office and general	**1,468,026**	1,293,311
Delivery	**1,175,163**	580,863
Rent and utilities	**980,702**	918,354
Merchant fees	**484,291**	319,312
Insurance	**383,450**	384,331
Professional fees	**326,136**	367,212
Advertising and promotion	**130,273**	225,320
Stock-based compensation	**218,981**	-
Repairs and maintenance	**54,279**	307,872
Foreign exchange loss	**33,394**	7,745
Depreciation	**274,339**	339,811
Depreciation of right-of-use assets	**1,245,055**	1,200,608
Amortization	**60,425**	60,427
Interest on loans payable	**110,017**	142,871
Interest on lease liabilities	**728,793**	751,203
Total expenses	**14,335,286**	12,729,900

Salaries and wages

Salaries and wages for the year ended January 31, 2024 amounted to $6,661,962 as compared to $5,830,660 for the year ended January 31, 2023. The increase in salaries and wages expense during the year ended January 31, 2024 as compared to 2023 was primarily attributable to additional staff required to support the Company’s growing retail footprint.

Office and general

Office and general for the year ended January 31, 2024 amounted to $1,468,026 as compared to $1,293,311 for the year ended January 31, 2023. The increase in office and general expense during the year ended January 31, 2024 as compared to 2023 was primarily attributable to the Company's overall increased business activity to support its growing retail footprint. Office and general expense consist of dues, subscriptions, and other ancillary costs associated with the regular upkeep of the business.

Delivery

Delivery for the year ended January 31, 2024 amounted to $1,175,163 as compared to $580,863 for the year ended January 31, 2023. Delivery expense relates to delivery costs associated with 180 Smoke's national e-commerce platform. The increase in delivery expense during the year ended January 31, 2024 as compared to 2023 was attributable to increased e-commerce revenue.

Rent and utilities

Rent and utilities for the year ended January 31, 2024 amounted to $980,702 as compared to $918,354 for the year ended January 31, 2023. Rent and utilities expense relates to the Company's long-term leases for its brick-and-mortar retail footprint consisting of 180 Smoke Vape Stores and Offside Cannabis dispensary locations.

Merchant fees

Merchant fees for the year ended January 31, 2024 amounted to $484,291 as compared to $319,312 for the year ended January 31, 2023. The increase in merchant fees during the year ended January 31, 2024 as compared to 2023 was attributable to an increased volume of transactions resulting from the Company's revenue growth as discussed above.

Insurance

Insurance for the year ended January 31, 2024 amounted to $383,450 as compared to $384,331 for the year ended January 31, 2023. Insurance expense relates to the Company's D&O policy, product liability and general liability policies, and tenant insurance policies for the Company's leased premises.

Professional fees

Professional fees for the year ended January 31, 2024 amounted to $326,136 as compared to $367,212 for the year ended January 31, 2023. Professional fees relate to legal, audit and accounting fees along with transaction specific legal fees associated with the Company's ongoing business operations and public company compliance.

Advertising and promotion

Advertising and promotion for the year ended January 31, 2024 amounted to $130,273 as compared to $225,320 for the year ended January 31, 2023. Advertising and promotion expense relates to the Company's marketing efforts of 180 Smoke and Offside Cannabis brands.

Stock-based compensation

Stock-based compensation for the year ended January 31, 2024 amounted to $218,981 as compared to $nil for the year ended January 31, 2023. Stock-based compensation expense for the year ended January 31, 2024 relates 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.

Repairs and maintenance

Repairs and maintenance for the year ended January 31, 2024 amounted to $54,279 as compared to $307,872 for the year ended January 31, 2023. 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 year ended January 31, 2024 amounted to $33,394 as compared to $7,745 for the year ended January 31, 2023. Foreign exchange gains and losses are a result of exchange rate fluctuations related to transactions based in United States dollars.

Depreciation

Depreciation for the year ended January 31, 2024 amounted to $274,339 as compared to $339,811 for the year ended January 31, 2023. Depreciation expense relates to the Company's property and equipment located at the Company's leased premises.

Depreciation of right-of-use assets

Depreciation of right-of-use assets for the year ended January 31, 2024 amounted to $1,245,055 as compared to $1,200,608 for the year ended January 31, 2023. Depreciation of right-of-use assets relates to depreciation on the Company's long-term leases on its brick-and-mortar retail footprint consisting of 180 Smoke Vape Stores and Offside Cannabis dispensary locations.

Amortization

Amortization for the year ended January 31, 2024 amounted to $60,425 as compared to $60,427 for the year ended January 31, 2023. Amortization expense relates to amortization of the Company's website and ERP software.

Interest on loans payable

Interest on loans payable for the year ended January 31, 2024 amounted to $110,017 as compared to $142,871 for the year ended January 31, 2023. Interest expense on loans payable relates to interest charged on the Company's loans payable, convertible debentures, and Canada Emergency Business Account ("CEBA") loans during the year ended January 31, 2024. During the year ended January 31, 2023, interest expense on loans payable relates to interest charged on the Company's loans payable.

Interest on lease liabilities

Interest on lease liabilities for the year ended January 31, 2024 amounted to $728,793 as compared to $751,203 for the year ended January 31, 2023. Interest expense on lease liabilities relates to the interest expense on the Company's long-term leases on its brick-and-mortar retail footprint consisting of 180 Smoke Vape Stores and Offside Cannabis dispensary locations.

Other Income (Expenses)

The Company's other income (expenses) for the years ended January 31, 2024 and 2023 was comprised of the following:

	January 31, 2024	January 31, 2023
	$	$
Other income (expenses)		
Other income	**72,397**	25,018
Gain (loss) on revaluation of leases	**(387,204)**	238,770
Accretion	**(220,475)**	(19,947)
Fair value adjustment of derivative liabilities	**(566,212)**	-
Amortization of intangible assets – trade name	**(247,667)**	(240,666)
Gain on acquisition of 276 Ontario	**728,793**	8,129,171
Total other income (expense)	**(1,342,161)**	8,132,346

Other income

Other income (expense) for the year ended January 31, 2024 amounted to $72,397 as compared $25,018 for the year ended January 31, 2023. Other income relates to finance income and other miscellaneous income earned not in the normal course of operations.

Gain (loss) on revaluation of leases

Gain (loss) on revaluation of leases for the year ended January 31, 2024 amounted to a loss of $387,204 as compared to a gain of $238,770 during the year ended January 31, 2023. Gain (loss) on revaluation of leases relates to revaluations of the Company's capitalized leases and associated right-of-use assets as a result as a result of lease modifications and sublease arrangements.

Accretion

Accretion for the year ended January 31, 2024 amounted to $220,475 as compared to $19,947 for the year ended January 31, 2023. Accretion expense relates to the accretion of the Company's CEBA loans and the Company's convertible debentures. The increase in accretion expense during the year ended January 31, 2024 as compared to 2023 relates to the issuance of convertible debentures and additional accretion related to the Company's CEBA loans.

Fair value adjustment of derivative liabilities

Fair value adjustment of derivative liabilities for the year ended January 31, 2024 amounted to $566,212 as compared to $nil for the year ended January 31, 2023. The derivative liabilities are related to the conversion option embedded in the convertible debentures as well as certain warrants that are categorized as derivative liabilities. Changes in the fair value adjustment of derivative liabilities is impacted by conversions, passage of time, volatility assumptions and movement in the underlying common shares of the Company. The derivative liabilities are revaluated at the end of each reporting period with such required changes in value reflected as a fair value adjustment.

Amortization of intangible assets – trade name

Amortization of intangible assets - trade name for the year ended January 31, 2024 amounted to $240,667 as compared to $240,666 for the year ended January 31, 2023. 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 year ended January 31, 2024 amounted to $nil as compared to $8,129,171 for the year ended January 31, 2023. The gain on acquisition during the year ended January 31, 2023 was attributable to the acquisition of 276 Ontario whereby, prior to the acquisition, the Company had issued a promissory note to 276 Ontario which was eliminated on consolidation resulting in the gain during year ended January 31, 2023.

Deferred tax recovery

Deferred tax recovery for the year ended January 31, 2024 amounted to $63,777 as compared to $63,777 for the year ended January 31, 2023. 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)

Net income (loss) and comprehensive income (loss) for the year ended January 31, 2024 amounted to ($1,992,576) as compared to $7,673,115 for the year ended January 31, 2023.

Liquidity and Capital Resources

As at January 31, 2024, the Company had total assets of $13,735,729 (January 31, 2023 – $14,780,382) consisting of cash of $1,753,355, accounts receivable of $1,501,702, current net investment in sublease of $38,904, inventory of $2,509,102, prepaid expenses of $211,398, intangible assets of $401,415, intangible assets – trade name of $2,928,111, property and equipment of $695,101, non-current net investment in sublease of $256,660, and right-of-use assets of $3,439,981.

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 January 31, 2024 was primarily attributed to the net decrease resulting from a decrease in right-of-use assets offset by an increase in cash and inventory.

As at January 31, 2024, the Company had total liabilities of $13,351,331 (January 31, 2023 – $12,622,389) consisting of trade and other payables of $4,630,018, current lease liabilities of $1,059,713, current contract liabilities of $310,154, government loans of $240,395, loans payable of $545,379, non-current lease liabilities of $4,133,373, non-current contract liabilities of $128,283, derivative liabilities of $1,408,712, convertible debentures of $119,355 and deferred tax liabilities of $775,949.

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, government loans 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 increase in liabilities from January 31, 2023 to January 31, 2024 was primarily attributed to the increase resulting from the issuance of convertible debentures and derivative liabilities relating to the conversion option embedded in the convertible debentures as well as certain warrants.

Cash Flows Provided by and Used in Operating Activities

Cash flows provided by operating activities for the year ended January 31, 2024 amounted to $1,663,275 as compared to $2,515,985 for the year ended January 31, 2023 due to the reasons discussed above.

Cash Flows Provided by and Used in Financing Activities

Cash flows used in financing activities for the year ended January 31, 2024 amounted to $1,071,914 as compared to $1,988,041 for the year ended January 31, 2023. During the year ended January 31, 2024, the Company received proceeds from the issuance of convertible debentures of $900,000, received proceeds from loans payable of $48,000, received subleased rent of $2,750, repaid loans payable of $131,507, paid $57,500 in debt issuance costs associated with the issuance of convertible debentures, repaid $40,000 in CEBA loans, and paid $1,793,657 towards the Company's lease obligations. During the year ended January 31, 2023, the Company received proceeds from loans payable of $97,800, repaid loans payable of $24,420, and paid $2,061,421 towards the Company's lease obligations.

Cash Flows Used in Investing Activities

Cash flows used in investing activities for the year ended January 31, 2024 amounted to $109,488 as compared to $266,816 for the year ended January 31, 2023. During the year ended January 31, 2024, the Company purchased intangible assets of $101,838 and purchased property and equipment of $7,650. During the year ended January 31, 2023, the Company purchased property and equipment of $266,816.

Summary

During the year ended January 31, 2024, the Company had a net loss in the amount of $1,992,576 as compared to net income of $7,673,115 during the year ended January 31, 2023, had an accumulated deficit of $7,814,486 (January 31, 2023 – $5,821,910) as at January 31, 2024 and had a working capital deficiency of $771,198 (January 31, 2023 – $1,533,522) as at January 31, 2024.

The Company has financed its operations from inception to date through the issuance of debt and equity securities. The Company's administrative and other expenses may exceed available cash resources from its revenue in the future. 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.

Outstanding Share Data

There were 27,449,615 common shares of the Company issued and outstanding as at January 31, 2024 and 28,985,330 at the date of this report. There were options for the purchase of 2,225,000 common shares of the Company issued and outstanding as at January 31, 2024 and 2,375,000 at the date of this report. There were 9,000,000 warrants issued and outstanding as at January 31, 2024 and 10,535,715 at the date of this report.

Share Capital

Common Shares

The Company is authorized to issue an unlimited number of common shares.

During the year ended January 31, 2024, 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 January 31, 2024 and 2023, no preferred shares were issued and outstanding.

Warrants

The following is a continuity of the Company's warrants for the years ended January 31, 2024 and 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	1.16
Expired	(2,962,956)	0.68	-
Granted	9,000,000	0.15	3.00
Balance, January 31, 2024	9,000,000	0.15	2.88
Exercisable, January 31, 2024	9,000,000	0.15	2.88

During the year ended January 31, 2024, an aggregate of 2,962,956 warrants expired, unexercised. The Company issued an aggregate of 9,000,000 common share purchase warrants of the Company in connection with the issuance of Debenture Units during the year ended January 31, 2024.

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 years ended January 31, 2024 and 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	2.83
Granted	1,710,000	0.11	4.00
Expired	(225,000)	0.50	-
Balance, January 31, 2024	2,220,000	0.20	2.95
Exercisable, January 31, 2024	2,220,000	0.20	2.95

A summary of the Company’s Options outstanding as at January 31, 2024 is as follows:

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Weighted Average Life (Years)
May 21, 2021	May 21, 2025	510,000	510,000	$0.50	1.30
July 10, 2023	July 10, 2027	1,710,000	1,710,000	$0.11	3.44

Options

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-Merton 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 year ended January 31, 2024, 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 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 year ended January 31, 2024, the Company expensed $64,000 in the fair value of RSUs (January 31, 2023 – $nil) as a result of this issuance which has been recorded as stock-based compensation.

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 operations 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 year ended January 31, 2024.

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 years ended January 31, 2024 and 2023 is as follows:

	January 31, 2024	January 31, 2023
	$	$
Salaries and other short-term employee benefits	894,307	777,088
Car allowance to director	12,804	12,804
Stock-based compensation	136,164	-
Director fees	54,000	54,000
Total expenses	**1,097,275**	**843,892**

Related party transactions as at and for the years ended January 31, 2024 and 2023 and the balances as at January 31, 2024 and 2023, not disclosed elsewhere in the Company’s consolidated financial statements are as follows:

a) Included in accounts payable and accrued liabilities is interest payable in the amount of $249,004 (January 31, 2023 – $193,445) to related parties of the Company. These amounts are due to Mark Pelchovitz and/or his relatives or related companies, aside from the amounts noted below. These are from loans payable of the Company bearing between 12% - 24%, with no set terms of repayment;

b) Included in trade and other payables is $203,860 (January 31, 2023 – $149,860) due to officers and directors of the Company (Note 9);

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, Cameron Wickham (the “Related Loan”). During the year ended January 31, 2024, $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 year ended January 31, 2024, interest on the Related Loan amounted to $22,681 (January 31, 2023 – $22,116);

d) The Company had loans payable outstanding owing to the chairman of the Company and relatives of the chairman of the Company (Note 12); and

e) The Company had stock-based compensation transactions with certain officers and directors of the Company.

Loans Payable

Loans payable are comprised of the following:

	January 31, 2024	January 31, 2023
	$	$
Government guaranteed bank loan, payable in monthly installments of $1,530, bearing interest at prime plus 3% per annum. Balance was secured by a general security agreement and was guaranteed by two shareholders of the Company up to a maximum of 25% of the original amount advanced.	-	1,807
Operating facility, interest bearing at 15% per annum, secured and due on demand.	160,780	176,480
Loan facility, interest bearing at 21.70% per annum, secured and due on demand. This is a non arms-length amount payable to the CEO of the Company.	100,000	200,000
Promissory note, unsecured, interest bearing at 12% per annum and due on demand. This is an arms-length promissory note payable to the chairman (Mark Pelchovitz) of the Company.	26,800	26,800
Promissory note, unsecured, interest bearing at 24% per annum and due on demand. This is a non arms-length promissory note payable to a family member of the chairman (Mark Pelchovitz) of the Company.	22,350	22,350
Promissory note, unsecured, interest bearing at 12% per annum and due on demand. This is a non arms-length promissory note payable to a family member of the chairman (Mark Pelchovitz) of the Company.	25,000	25,000
Promissory note, secured, interest bearing at 21.70% per annum and due on demand. This is a non arms-length promissory note payable to a family member of the chairman (Mark Pelchovitz) of the Company.	176,449	176,449
Promissory note, secured, non-interest bearing and due on demand. This is a non arms-length promissory note payable to the chairman (Mark Pelchovitz) of the Company.	34,000	-
Balance, January 31, 2024 and January 31, 2023	**545,379**	**628,886**

Interest expense on loans payable amounted to $96,848 (January 31, 2023 – $142,871) during the year ended January 31, 2024. As at January 31, 2024, interest payable on these loans payable amounted to $249,004 (January 31, 2023 – $193,445) which has been included in accounts payable and accrued liabilities on the consolidated statements of financial position. Included in loans payable are amounts due to related parties as noted above.

Convertible Debentures

On December 19, 2023, the Company closed a non-brokered private placement (the "Offering") of senior secured convertible debenture units (the "Debenture Units") of the Company for aggregate gross proceeds of $900,000. In connection with the Offering, the Company issued an aggregate of 900 Debenture Units to subscribers at a price of $1,000 per Debenture Unit. Each Debenture Unit consisted of: (i) a $1,000 principal senior secured convertible debenture (each a "Debenture"); and (ii) 10,000 common share purchase warrants of the Company (each a "Debenture Warrant"). The Debentures mature on June 19, 2025 and bear interest at a rate of 1% per month, beginning on the date of issuance and payable in cash on the last day of each calendar month. The principal sum of the Debentures, or any portion thereof, and any accrued but unpaid interest, may be converted into common shares of the Company at the option of the holder at any time prior to the maturity date at a conversion price of $0.10 per share, subject to adjustments as described below. Each Debenture Warrant entitles the holder to purchase one common share of the Company until December 19, 2026 at an exercise price of $0.15 per share, subject to adjustment as described below. An aggregate of 9,000,000 Debenture Warrants were issued in connection with the Offering of Debenture Units. The conversion feature in the Debentures and exercise price of the Debenture Warrants have a rachet provision which could result in repricing of the conversion price or exercise price, as applicable and conditional upon compliance with the policies of the CSE, if the Company were to issue any common shares at a price less than $0.10 per share, or if any convertible instruments, stock options, share purchase warrants, or RSUs are issued at an exercise price less than $0.15 per share (collectively, the "Rachet Provision"). The obligations under the Debentures are collaterally secured by a general security agreement from the Company and its wholly-owned subsidiaries, 2360149 Ontario Inc., 180 VFC Inc., 1000712645 Ontario Inc., and Spyder Cannabis Subco Inc. (collectively, the "Guarantors") and a pledge of the security interests of the Guarantors.

The Debenture Units were determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of the conversion feature of the Debentures and the exercise price of the Debenture Warrants as a result of the Rachet Provision. The fair value of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model using the assumptions disclosed in Note 20. Using the residual method, the carrying amount of the debt component is the difference between the principal amount, less debt issuance costs, and the initial fair value of the embedded derivative liabilities. The carrying value of the Debentures has been accreted using the effective interest rate method over the term of the Debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity. The embedded derivative liabilities are carried at fair market value with changes in fair value recorded in the consolidated statements of operations and comprehensive income (loss). In connection with the issuance of the Debentures Units, the Company incurred debt issuance costs of $57,500, which was amortized over the term of the Debentures. In connection with the Debentures, the Company incurred interest expense in the amount of $12,774 (January 31, 2023 – $nil) during the year ended January 31, 2024.

	$
Proceeds from issuance of convertible debentures	900,000
Debt issuance costs	(57,500)
Amount classified as embedded derivative liabilities *(Note 20)*	(842,500)
Amount classified as convertible debentures at amortized cost	**-**
Accretion of convertible debentures	119,355
Carrying amount of convertible debentures as at January 31, 2024	**119,355**

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 (the "Transaction"). The Transaction was considered outside of the scope of IFRS 3 – *Business Combinations*, since 276 Ontario did not constitute a business. Accordingly, the Transaction was accounted for in accordance with IFRS 2 – *Share-based Payments*, 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 by 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 (January 31, 2023 – $8,129,171) was recorded during the year ended January 31, 2024.

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 would have been 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 was 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. On September 14, 2023, the CEBA Loan was extended to January 18, 2024. The Company discounted the CEBA Loan during the interest-free loan period at the Company's specific business unit's incremental borrowing rate.

During the year ended January 31, 2024, the Company repaid one of the five CEBA Loans. The remaining four CEBA Loans converted into interest bearing loans at a rate of 5% per annum.

The Company recorded accretion expense on the CEBA Loan during the year ended January 31, 2024 in the amount of $101,120, of which $80,000 related to the forgivable portion related to the four unpaid CEBA Loans. The Company recorded interest expense on these loans during the year ended January 31, 2024 in the amount of $395 for the year ended January 31, 2024 (January 31, 2023 – $nil).

Off Balance Sheet Arrangements

As at January 31, 2024, 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.

Material Accounting Policies

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

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

The Company adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) effective February 1, 2023. The amendments aim to provide accounting policy disclosures that are more useful by replacing the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies in certain instances, but not on the measurement, recognition or presentation of any items in the Company's consolidated financial statements. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

The following material accounting policy information has been consistently applied to all periods presented in these consolidated financial statements, unless if mentioned otherwise.

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.; 1000712645 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.

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).

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) for the period.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the expected service periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Valuation models such as Black-Scholes-Merton 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.

Compound financial instruments

The component parts of compound instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issuance of convertible debentures are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debentures using the effective interest method.

For compound instruments with non-equity derivatives, the fair value of the embedded derivative is determined first based on the contractual terms, and the initial carrying amount of the host instrument is the residual amount after separating the embedded derivative.

Derivative liabilities

Derivatives are initially measured at fair value and are subsequently measured at fair value through profit and loss.

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 operations 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 operations and comprehensive income (loss).

Provisions

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event; and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of 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.

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.

Intangible assets in progress are not amortized until they are complete and placed in use.

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

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.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed and in-substance fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between the lease liability and an interest expense, which is recognized in finance costs over the lease term in the Company's consolidated statements of operations and comprehensive 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 operations 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.

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-Merton 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.

Earnings (loss) per common share

Basic earnings (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 earnings (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.

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.

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Income taxes

Tax expense is comprised of current and deferred tax. Tax is recognized in the consolidated statements of operations and comprehensive income (loss) except to the extent that it relates to items recognized in comprehensive loss or equity in the consolidated statements of financial position. During the years ended January 31, 2024 and 2023, the Company only had deferred tax recovery recorded in the consolidated statements of operations and comprehensive income (loss).

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
Derivative liabilities	FVTPL
Convertible debentures	Amortized cost
Government loan	Amortized cost
Loans payable	Amortized cost
Promissory note	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.

Adoption of New Accounting Pronouncements

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

Amendments to IAS 12: Income Taxes

This amendment clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company adopted the amendments to IAS 12 effective February 1, 2023, which did not have a material impact on the Company's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. These amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

This amendment clarifies the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. This amendment also clarifies how entities use measurement techniques and inputs to develop accounting estimates. The Company adopted amendments to IAS 8 effective February 1, 2023, which did not have a material impact on the Company's consolidated financial statements.

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

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

Amendments to IAS 1: Covenants

This amendment clarifies how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. This amendment are 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

This amendment clarifies how a seller-lessee measures sale and leaseback transactions that satisfy the requirements in *IFRS 15 – Revenue from Contracts with 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.

Use of Judgements and Estimates

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the periods presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are the critical judgements in applying accounting policies and key sources of estimation uncertainty at the end of the reporting period that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and judgements

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Judgements are used in situations when there is a choice and/or assessment required by management. Critical accounting estimates are also those that could potentially have a material impact on the Company's consolidated financial results where a different estimate or assumption is used. The significant areas of estimation uncertainty and use of judgements are as follows:

Inventory valuation

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

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 the current period 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.

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.

Derivative liabilities

The Company measures the embedded derivative liabilities relating to the conversion feature of the convertible debentures and warrants issued using the Black-Scholes-Merton valuation model taking into account the features of the instrument and market data as at the grant date and on the basis of the Company's management assumptions.

Going concern assumption

The Company's going concern presentation of the consolidated financial statements assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

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.

The following is a summary of financial instruments measured at fair value segregated based on various levels of inputs.

	Level 1 $	Level 2 $	Level 3 $	Total $
As at January 31, 2024				
Cash	1,753,355	-	-	1,753,355
Accounts receivable	1,501,702	-	-	1,501,702
Trade and other payables	4,630,018	-	-	4,630,018
Government loan	240,395	-	-	240,395
Loans payable	545,379	-	-	545,379
Derivative liabilities	-	-	1,408,712	1,408,712
Convertible debentures	-	119,355	-	119,355
As at January 31, 2023				
Cash	1,271,482	-	-	1,271,482
Accounts receivable	1,617,308	-	-	1,617,308
Trade and other payables	4,382,067	-	-	4,382,067
Government loan	-	178,880	-	178,880
Loans payable	628,886	-	-	628,886

Financial instruments of the Company consist of cash, accounts receivable, trade and other payables, government loan, loans payable, derivative liabilities, and convertible debentures. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the consolidated statements of financial position and their estimated fair values due to the relatively short-term maturities of these financial instruments. The government loan as at January 31, 2024 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 uses the Black-Scholes-Merton valuation model to estimate fair value of the derivative liabilities at each reporting period. This is a level 3 reoccurring fair value measurement. The key level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the convertible debentures. The Company believes that a 1% difference in the inputs used for this fair value measurement would not cause a material difference to the fair value.

The following range of assumptions were used to value the embedded derivative liabilities during the year ended January 31, 2024:

Stock price	$0.10 - $0.15
Risk-free interest rate	4.01 - 4.17 %
Expected life	1.39 - 3 years
Estimated volatility in the market price of the common shares	94-144 %
Dividend yield	Nil

Transactions related to the Company's derivative liabilities during the year ended January 31, 2024 are comprised of the following:

	Conversion Feature $	Warrant Liability $
As at February 1, 2023	-	-
Fair value of derivative liabilities on issuance date *(Note 18)*	318,833	523,667
Fair value change in derivative liabilities during the year	324,396	241,816
As at January 31, 2024	**643,229**	**765,483**

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 $1,501,702 (January 31, 2023 – $1,617,308), the balance held as at January 31, 2024. 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.

The following is an analysis of the contractual maturities of the Company's financial liabilities:

	1 year $	2 to 5 years $	>5 years $	Total $
January 31, 2024				
Trade and other payables	4,630,018	-	-	4,630,018
Lease liabilities	1,635,900	4,593,692	40,767	6,270,359
Government loan	-	240,395	-	240,395
Loans payable	545,379	-	-	545,379
Convertible debentures	-	900,000	-	900,000
January 31, 2023				
Trade and other payables	4,382,067	-	-	4,382,067
Lease liabilities	1,718,247	5,144,882	285,710	7,148,839
Government loan	178,880	-	-	178,880
Loans payable	628,886	-	-	628,886

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.

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 January 31, 2024, 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.

Disclosure Controls and Procedures

The Company's audit committee and board of directors has reviewed and approved this MD&A prior to its release. Delota is committed to providing timely, accurate and balanced disclosure of all material information about the Company and to providing fair and equal access to such information. As of January 31, 2024, the Company's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined under the rules adopted by the Canadian securities' regulatory authorities. In addition, the Company's management has assessed whether there have been many significant changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed with securities regulatory authorities is recorded, processed, summarized, and reported on a timely basis, and is accumulated and communicated to the Company's management, including the CEO and CFO as appropriate, to allow timely decisions regarding required disclosure. Internal control over financial reporting is a process designed by, or under the supervision of, senior management to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's consolidated financial statements in accordance with IFRS.

The Company's management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal control over financial reporting will prevent or detect all material misstatements due to error or fraud. Because of the inherent limitations of all control systems, an evaluation of controls can only provide reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Company have been detected. The Company is continually evolving and enhancing its systems of controls and procedures. Based on the evaluation of disclosure controls, and assessment of changes in internal control over financial reporting, the CEO and CFO have concluded that, subject to the inherent limitations noted above, the Company's disclosure controls are effective in ensuring that material information relating to the Company is made known to management on a timely basis, and is fairly presented in all material respects in this MD&A.

Internal Controls over Financial Reporting

Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, and effected by the Company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the IFRS. Based on their evaluation, the CEO and CFO have concluded that the design of these internal controls over financial reporting and the preparation of consolidated financial statements for external reporting on January 31, 2024, are effective.

The Company relies on compensating controls, including substantive periodic review of the consolidated financial statements, to ensure that disclosure controls and procedures are effective. The Company continues to address requirements to strengthen audit and financial controls.

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, Chartered Professional Accountants

Transfer Agent

Capital Transfer Agency ULC

Additional Information

Additional information related to Delota Corp. is available under the Company's profile on SEDAR+ at www.sedarplus.ca.