Delota Corp.

Consolidated Financial Statements

For the Years Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars)

Delota Corp.

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Stern & Lovrics LLP
Chartered Professional Accountants

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

Nazli Dewji, BA, CPA, CMA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Delota Corp.

Opinion

We have audited the accompanying consolidated financial statements of Delota Corp. (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2024 and 2023, and the consolidated statements of operations and comprehensive income (loss), changes in equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as of January 31, 2024, the Company had an accumulated deficit of $7,814,486 (2023 – $5,821,910) and had a working capital deficiency of $771,198 in the current year (2023 – $1,533,522). As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is George G. Lovrics.

Stern & Lovrics LLP

Toronto, Ontario
May 30, 2024

Chartered Professional Accountants
Licensed Public Accountants

Delota Corp.
Consolidated Statements of Financial Position
As at January 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Notes	January 31, 2024 $	January 31, 2023 $
ASSETS			
Current			
Cash		**1,753,355**	1,271,482
Accounts receivable		**1,501,702**	1,617,308
Inventory	*5*	**2,509,102**	1,834,964
Prepaid expenses		**211,398**	271,688
Net investment in sublease - current portion	*8*	**38,904**	-
Total current assets		**6,014,461**	**4,995,442**
Non-current assets			
Intangible assets	*6*	**401,415**	360,002
Intangible assets - trade name	*6*	**2,928,111**	3,168,778
Property and equipment	*7*	**695,101**	961,790
Net investment in sublease	*8*	**256,660**	-
Right-of-use assets	*8*	**3,439,981**	5,294,370
Total non-current assets		**7,721,268**	**9,784,940**
Total assets		**13,735,729**	14,780,382
LIABILITIES AND EQUITY			
Current			
Trade and other payables	*9*	**4,630,018**	4,382,067
Lease liabilities	*10*	**1,059,713**	1,213,056
Contract liability	*11*	**310,154**	126,075
Government loan	*14*	**240,395**	178,880
Loans payable	*12, 21*	**545,379**	628,886
Total current liabilities		**6,785,659**	6,528,964
Non-current liabilities			
Lease liabilities	*10*	**4,133,373**	4,968,216
Contract liability	*11*	**128,283**	285,483
Derivative liabilities	*18, 20*	**1,408,712**	-
Convertible debentures	*18*	**119,355**	-
Deferred tax liability	*22*	**775,949**	839,726
Total non-current liabilities		**6,565,672**	6,093,425
Total liabilities		**13,351,331**	12,622,389
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	*15*	**7,592,481**	7,528,481
Warrant reserve		**99,398**	99,398
Contributed surplus		**507,005**	352,024
Deficit		**(7,814,486)**	(5,821,910)
Total shareholders' equity (deficiency)		**384,398**	2,157,993
Total liabilities and shareholders' equity (deficiency)		**13,735,729**	14,780,382

Nature of Operations and Going Concern (Note 1)
Related Party Transactions (Note 21)
Subsequent Events (Note 26)

Approved on behalf of the Board of Directors:

(signed) "Mark Pelchovitz"_______, Director   (signed) "Steven Glaser"_________, Director

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

Delota Corp.

Consolidated Statements of Operations and Comprehensive Income (Loss)

For the Years Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars)

	Notes	January 31, 2024 $	January 31, 2023 $
Revenue	*24*	**34,069,680**	25,937,502
Cost of goods sold	*5*	**20,448,586**	13,730,610
Gross profit		**13,621,094**	12,206,892
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
Stock-based compensation	*16*	**218,981**	-
Advertising and promotion		**130,273**	225,320
Repairs and maintenance		**54,279**	307,872
Foreign exchange loss		**33,394**	7,745
Depreciation	*7*	**274,339**	339,811
Depreciation of right-of-use assets	*8*	**1,245,055**	1,200,608
Amortization	*6*	**60,425**	60,427
Interest on loans payable	*12, 14, 18*	**110,017**	142,871
Interest on lease liabilities	*10*	**728,793**	751,203
Total expenses		**14,335,286**	12,729,900
Loss before other income (expenses)		**(714,192)**	(523,008)
Other income		**72,397**	25,018
Gain (loss) on revaluation of leases	*8, 10*	**(387,204)**	238,770
Accretion	*14, 18*	**(220,475)**	(19,947)
Fair value adjustment of derivative liabilities	*18, 20*	**(566,212)**	-
Amortization of intangible assets - trade name	*6*	**(240,667)**	(240,666)
Gain on acquisition of 276 Ontario	*13*	**-**	8,129,171
Income (loss) before income tax recovery		**(2,056,353)**	7,609,338
Deferred tax recovery	*22*	**63,777**	63,777
Net income (loss) and comprehensive income (loss)		**(1,992,576)**	7,673,115
Earnings (loss) per share - basic		**(0.07)**	0.31
Weighted average number of shares outstanding - basic		**27,163,807**	24,902,766
Earnings (loss) per share - diluted		**(0.07)**	0.27
Weighted average number of shares outstanding - diluted		**27,163,807**	28,600,722

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

Delota Corp.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the Years Ended January 31, 2024 and 2023

(Expressed in Canadian Dollars)

	Notes	Number of Common Shares #	Share Capital $	Contributed Surplus $	Warrant Reserve $	Deficit $	Shareholders' Equity (Deficiency) $
Balance, January 31, 2022		**14,809,614**	**4,528,481**	**352,024**	**99,398**	**(13,495,025)**	**(8,515,122)**
Common shares issued for the acquisition of 276 Ontario	*13, 15*	12,000,001	3,000,000	-	-	-	3,000,000
Net income for the year		-	-	-	-	7,673,115	7,673,115
Balance, January 31, 2023		**26,809,615**	**7,528,481**	**352,024**	**99,398**	**(5,821,910)**	**2,157,993**
Issuance of stock options and restricted share units	*16*	-	-	218,981	-	-	218,981
Common shares issued pursuant to grant of restricted share units	*15, 16*	640,000	64,000	(64,000)	-	-	-
Net loss for the year		-	-	-	-	(1,992,576)	(1,992,576)
Balance, January 31, 2024		**27,449,615**	**7,592,481**	**507,005**	**99,398**	**(7,814,486)**	**384,398**

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

Delota Corp.
Consolidated Statements of Cash Flows
For the Years Ended January 31, 2024 and 2023
(Expressed in Canadian Dollars)

	January 31, 2024 $	January 31, 2023 $
Cash was provided by (used) in the following activities:		
Operating activities		
Net income (loss) for the year	**(1,992,576)**	7,673,115
Items not requiring an outlay of cash:		
Accretion	**220,475**	19,947
Stock-based compensation	**218,981**	-
Gain on acquisition of 276 Ontario	**-**	(8,129,171)
Deferred tax recovery	**(63,777)**	(63,777)
Depreciation	**274,339**	339,811
Depreciation of right-of-use assets	**1,245,055**	1,200,608
Amortization of intangible assets - trade name	**240,667**	240,666
Amortization	**60,425**	60,427
Interest on lease liabilities	**728,793**	751,203
Lease modifications	**387,204**	(238,770)
Fair value adjustment of derivative liabilities	**566,212**	-
Interest expense	**55,954**	-
Finance income	**(13,142)**	-
Change in non-cash working capital:		
Accounts receivable	**115,606**	(786,233)
Inventory	**(674,138)**	(369,738)
Prepaid expenses	**60,290**	(75,905)
Contract liability	**26,879**	146,992
Trade and other payables	**206,028**	1,746,810
Cash flows provided by operating activities	**1,663,275**	2,515,985
Financing activities		
Proceeds from loans payable	**48,000**	97,800
Repayments of loans payable	**(131,507)**	(24,420)
Issuance of convertible debenture	**900,000**	-
Repayment of government loan	**(40,000)**	-
Debt issuance costs	**(57,500)**	-
Rent received	**2,750**	-
Lease payments	**(1,793,657)**	(2,061,421)
Cash flows used in financing activities	**(1,071,914)**	(1,988,041)
Investing activities		
Purchase of intangible assets	**(101,838)**	-
Purchase of property and equipment	**(7,650)**	(266,816)
Cash flows used in investing activities	**(109,488)**	(266,816)
Increase in cash during the year	**481,873**	261,128
Cash, beginning of year	**1,271,482**	1,010,354
Cash, end of year	**1,753,355**	1,271,482

Non-cash transactions affecting cash flows from financing and investing activities (Note 23)

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

1. Nature of Operations and Going Concern

Delota Corp. ("Delota" or the "Company") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on February 20, 2014. 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.

These consolidated financial statements of the Company have been prepared on a going concern basis which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended January 31, 2024, the Company had a net loss in the amount of $1,992,576 (January 31, 2023 – generated net income $7,673,115), 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. As such, there is a material uncertainty related to these events and conditions 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 financings. There is no assurance that the Company will be able to obtain such financings 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, these consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Preparation

a) Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect as at January 31, 2024.

These consolidated financial statements were authorized for issuance by the Company's Audit Committee and its Board of Directors on May 30, 2024.

2. Basis of Preparation (continued)

b) Basis of Measurement

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

c) Functional and Presentation Currency

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

d) Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: 2360149 Ontario Inc. and its wholly-owned subsidiaries: 420 Wellness Inc. and 180 Smoke LLC; 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.

e) Use of Estimates and Judgements

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated financial statements and may require accounting adjustments based on future occurrences.

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

3. Material Accounting Policies

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.

Cash

Cash includes cash on hand, balances held in trust by legal 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 operations and comprehensive income (loss).

3. Material Accounting Policies (continued)

Foreign currency translation

Revenues and expenses denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities are retranslated at the reporting date using the rate in effect at the consolidated statements of financial position date and non-monetary items are translated at historical exchange rates. Related exchange gains and losses are included in the consolidated statements of 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.

3. Material Accounting Policies (continued)

Compound financial instruments (continued)

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).

3. Material Accounting Policies (continued)

Provisions

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

3. Material Accounting Policies (continued)

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.

3. Material Accounting Policies (continued)

Leases (continued)

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.

3. Material Accounting Policies (continued)

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.

3. Material Accounting Policies (continued)

Impairment of non-financial assets (continued)

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.

3. Material Accounting Policies (continued)

Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost. The Company determines the classification of financial assets at initial recognition.

Financial assets at FVTPL

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the consolidated statements of operations during the period in which the change occurs. Realized and unrealized gains or losses resulting from assets held at FVPTL are included in the consolidated statements of operations 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 operations.

Financial assets at amortized cost

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. The Company's accounts receivable are recorded at amortized cost. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at the end of each reporting period.

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL.

3. Material Accounting Policies (continued)

Financial instruments (continued)

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.

3. Material Accounting Policies (continued)

Adoption of new accounting pronouncements (continued)

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.

4. Use of Judgements and Estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. Use of Judgements and Estimates (continued)

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.

4. Use of Judgements and Estimates (continued)

Income taxes

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates in, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Leases

The Company estimates a lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of a lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure the lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful execution of the Company's business plan. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

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.

(Expressed in Canadian Dollars)

4. Use of Judgements and Estimates (continued)

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.

5. Inventory

As at January 31, 2024 and 2023, the Company's inventory is comprised of the following:

	January 31, 2024 $	January 31, 2023 $
Raw materials	**165,528**	134,389
Work-in-progress	**-**	206,428
Finished goods	**2,343,574**	1,494,147
Balance, January 31, 2024 and January 31, 2023	**2,509,102**	1,834,964

During the year ended January 31, 2024, inventory expensed to cost of goods sold amounted to $20,448,586 (January 31, 2023 – $13,730,610).

(Expressed in Canadian Dollars)

6. Intangible Assets

The Company's intangible assets include the costs to develop its website and enterprise resource planning software, as well as a trade name. Changes to the intangible assets balance during the years ended January 31, 2024 and 2023 consist of the following:

Cost:	Website and ERP $	Intangible assets in progress $	Trade name $	Total $
As at January 31, 2022	**471,251**	**-**	**3,610,000**	**4,081,251**
Additions (disposals)	-	-	-	-
As at January 31, 2023	**471,251**	**-**	**3,610,000**	**4,081,251**
Additions (disposals)	-	101,838	-	101,838
As at January 31, 2024	**471,251**	**101,838**	**3,610,000**	**4,183,089**
Accumulated amortization:				
As at January 31, 2022	**50,822**	**-**	**200,556**	**251,378**
Amortization	60,427	-	240,666	301,093
As at January 31, 2023	**111,249**	**-**	**441,222**	**552,471**
Amortization	60,425	-	240,667	301,092
As at January 31, 2024	**171,674**	**-**	**681,889**	**853,563**
Carrying amount:				
As at January 31, 2023	360,002	-	3,168,778	3,528,780
As at January 31, 2024	**299,577**	**101,838**	**2,928,111**	**3,329,526**

During the year ended January 31, 2024, the Company recorded amortization expense related to the website and ERP software in the amount of $60,425 (January 31, 2023 – $60,427) and trade name in the amount of $240,667 (January 31, 2023 – $240,666).

(Expressed in Canadian Dollars)

7. Property and Equipment

Property and equipment is comprised of the following:

	Furniture and equipment $	Plant and machinery $	Computer equipment $	Leasehold improvements $	Signs and automobile $	Total $
Cost						
As at January 31, 2022	**386,236**	**34,226**	**49,804**	**928,920**	**43,470**	**1,442,656**
Additions	5,106	-	-	252,574	9,136	266,816
Disposals	-	-	-	-	-	-
As at January 31, 2023	**391,342**	**34,226**	**49,804**	**1,181,494**	**52,606**	**1,709,472**
Additions	4,500	-	-	-	3,150	7,650
Disposals	-	-	-	-	-	-
As at January 31, 2024	**395,842**	**34,226**	**49,804**	**1,181,494**	**55,756**	**1,717,122**
Accumulated depreciation						
As at January 31, 2022	**74,933**	**5,249**	**29,776**	**257,328**	**40,585**	**407,871**
Depreciation	47,797	5,842	5,753	275,876	4,543	339,811
Disposals	-	-	-	-	-	-
As at January 31, 2023	**122,730**	**11,091**	**35,529**	**533,204**	**45,128**	**747,682**
Depreciation	48,171	6,240	6,738	206,570	6,620	274,339
Disposals	-	-	-	-	-	-
As at January 31, 2024	**170,901**	**17,331**	**42,267**	**739,774**	**51,748**	**1,022,021**
Net book value ($)						
As at January 31, 2023	**268,612**	**23,135**	**14,275**	**648,290**	**7,478**	**961,790**
As at January 31, 2024	**224,941**	**16,895**	**7,537**	**441,720**	**4,008**	**695,101**

During the year ended January 31, 2024, the Company recorded depreciation expense related to property and equipment in the amount of $274,339 (January 31, 2023 – $339,811).

8. Right-of-use Assets

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

	$
Balance, January 31, 2022	**5,037,964**
Additions during the year	1,697,350
Disposals during the year	(325,514)
Lease modifications	85,178
Depreciation during the year	(1,200,608)
Balance, January 31, 2023	**5,294,370**
Additions during the year	76,678
Disposals during the year	-
Derecognition upon entering into sublease	(686,012)
Depreciation during the year	(1,245,055)
Balance, January 31, 2024	**3,439,981**

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

(Expressed in Canadian Dollars)

8. Right-of-use Assets (continued)

During the year ended January 31, 2024, the Company entered into sublease arrangements for two of its leased premises. This resulted in a derecognition of the right-of-use assets related to these leased premises in the amount of $686,012 and the recognition of a net investment in sublease as noted below.

The following table sets out a maturity analysis of the net investment in sublease, showing the undiscounted lease payments to be received after the reporting date.

	January 31, 2024 **$**
Less than one year	81,816
One to two years	81,816
Two to three years	81,816
Three to four years	81,816
Four to five years	73,566
More than five years	32,544
Total undiscounted lease receivable	**433,374**
Unearned finance income	137,810
Net investment in sublease	**295,564**

Net investment in subleases represents leased retail stores that have been subleased to third parties. These subleases are classified as a finance lease as the sublease terms are for the remaining term of the head lease.

Net investment in sublease analysed as:	**$**
Current portion	**38,904**
Long-term	**256,660**

The current portion of the net investment in sublease has been classified as an investment in sublease – current portion on the consolidated statements of financial position.

Net investment in subleases represents leased retail stores that have been subleased and have been classified as finance leases due to the sublease terms being for the remaining term of the head lease.

The Company recorded a revaluation gain on its leases during the year ended January 31, 2024 in the amount of $387,204 (January 31, 2023 – loss of $238,770), which has been recorded in the consolidated statements of operations and comprehensive income (loss).

(Expressed in Canadian Dollars)

9. Trade and Other Payables

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

	January 31, 2024	January 31, 2023
	$	**$**
Accounts payable and accrued liabilities	**3,738,452**	3,297,048
Sales tax payable	**753,939**	855,038
Excise tax payable	**137,627**	229,981
Balance, January 31, 2024 and January 31, 2023	**4,630,018**	4,382,067

10. Lease Liabilities

The Company has entered into various long-term lease agreements. At the commencement date of each lease, the lease liability was measured at the present value of the lease payments that have not been paid. These lease payments are discounted by the Company's specific business unit's incremental borrowing rate. The following represents the Company's lease obligations as at January 31, 2024:

	$
Balance, January 31, 2022	**6,080,116**
Additions during the year	1,697,350
Termination of lease contract	(371,154)
Lease modifications	85,178
Interest expense	751,203
Lease payments	(2,061,421)
Balance, January 31, 2023	**6,181,272**
Additions during the year	76,678
Termination of lease contract	-
Lease modifications	-
Interest expense	728,793
Lease payments	(1,793,657)
Balance, January 31, 2024	**5,193,086**

(Expressed in Canadian Dollars)

10. Lease Liabilities (continued)

Summary:

	January 31, 2024 $	January 31, 2023 $
Current portion of lease liabilities	**1,059,713**	1,213,056
Non-current lease liabilities	**4,133,373**	4,968,216
Balance, January 31, 2024 and 2023	**5,193,086**	6,181,272

The Company has commitments relating to operating leases for its retail locations and vehicles under its non-cancelable operating leases. The future minimal annual undiscounted rental payments under these operating leases as at January 31, 2024 are as follows:

One year	$ 1,635,900
Between two to five years	$ 4,593,692
More than five years	$ 40,767

11. Contract Liability

Contract liability relates to deferred revenue consisting of loyalty programs, franchise fee revenue, and service fee revenue. As at January 31, 2024, this contract liability amounted to $438,437 (January 31, 2023 – $411,558). The Company received advanced payments from customers in the amount of $473,444 (January 31, 2023 – $314,264) and recognized performance obligations in the amount of $446,565 (January 31, 2023 – $276,513) during the year ended January 31, 2024. The current portion of this contract liability amounted to $310,154 and the long-term portion of this contract liability amounted to $128,283 (January 31, 2023 – $126,075 and $285,483, respectively). Details of the Company's contract liability is noted as follows:

	$
Balance, January 31, 2022	**373,807**
Additions during the year	314,264
Revenue recognized from contract liability	(276,513)
Balance, January 31, 2023	**411,558**
Additions during the year	473,444
Revenue recognized from contract liability	(446,565)
Balance, January 31, 2024	**438,437**

(Expressed in Canadian Dollars)

12. 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.	**100,000**	200,000
Promissory note, unsecured, interest bearing at 12% per annum and due on demand. This is a arms-length promissory note payable to the chairman 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 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 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 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 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 (Note 20).

(Expressed in Canadian Dollars)

13. Promissory Note

On March 30, 2022, the Company acquired all of the issued and outstanding common shares of 2766563 Ontario Inc. ("276 Ontario") through the issuance of an aggregate of 12,000,001 common shares of the Company, at a price of $0.25 per common share (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.

14. Government Loan

During the year ended January 31, 2021, the Company obtained an aggregate of $300,000 in loans under the Canada Emergency Business Account (collectively, the "CEBA Loan"). The CEBA Loan was granted in the form of an interest-free revolving line of credit of which up to $300,000 may be drawn. On January 1, 2021, any balance remaining on the revolving line of credit automatically converted into a non-revolving term loan. Any outstanding balance on the CEBA Loan not repaid by January 1, 2023 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.

14. Government Loan (continued)

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).

15. Share Capital

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 (Note 16 (b)), 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 (Note 13).

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

As at January 31, 2024 and 2023, no preferred shares were issued and outstanding.

(Expressed in Canadian Dollars)

16. Share-based Payments

The Company has an omnibus incentive plan (the "Omnibus Plan") under which the board of directors may from time to time, in its discretion, grant non-transferable stock options ("Options") and restricted share units ("RSUs") (Options and RSUs collectively referred to as "Awards") to directors, officers, employees and consultants of the Company. Pursuant to the Omnibus Plan, the aggregate number of common shares reserved for issue under the Omnibus Plan may not exceed ten percent (10%) of the common shares of the Company outstanding from time to time. Furthermore, the Omnibus Plan sets the maximum number of common shares reserved for issuance, in the aggregate, pursuant to the settlement of RSUs granted under the Omnibus Plan at 740,000 common shares. Options granted pursuant to the Omnibus Plan shall be exercisable for a period of up to ten (10) years at an exercise price of not less than the closing price of the common shares on the trading day immediately preceding that date of grant, less the maximum discount, if any, permitted by the principal stock exchange on which the common shares are listed.

The maximum number of common shares reserved for issue pursuant to Awards granted to participants who are insiders of the Company in any twelve (12) month period may not exceed, in the aggregate, ten percent (10%) of the number of common shares then outstanding. The maximum number of common shares reserved for issue pursuant to Awards granted to any one participant in any twelve (12) month period shall not exceed five percent (5%) of the number of common shares then outstanding. The maximum number of common shares reserved for issue under Awards granted to any one participant (other than a participant who is an eligible director or eligible employee) in any twelve (12) month period shall not exceed two percent (2%) of the number of common shares then outstanding.

The following is a continuity of the Company's 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**	**1.83**
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)
21-May-21	21-May-25	510,000	510,000	$0.50	1.30
10-Jul-23	10-Jul-27	1,710,000	1,710,000	$0.11	3.44

(Expressed in Canadian Dollars)

16. Share-based Payments (continued)

(a) Option Grants

On July 11, 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.

(b) 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 common shares 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 (Note 15), 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 of the fair value of RSUs (January 31, 2023 – $nil) as a result of this issuance which has been recorded as stock-based compensation.

17. 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**	**0.16**
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**

17. Warrants (continued)

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 (Note 18) during the year ended January 31, 2024.

18. 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.

(Expressed in Canadian Dollars)

18. Convertible Debentures (continued)

	$
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**

19. Capital Management

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to the Company's shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet its financial obligations; and
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the board of directors on an ongoing basis.

The Company's equity comprises of share capital, contributed surplus, warrant reserve, and accumulated deficit in the definition of capital. As at January 31, 2024, the Company's shareholders' equity amounted to $384,398 (January 31, 2023 – $2,157,993) which included an accumulated deficit of $7,814,486 (January 31, 2023 – $5,821,910).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the board of directors of the Company. The Company's capital management objectives, polices and processes have remained unchanged during the year ended January 31, 2024. The Company is not subject to any external capital requirements.

(Expressed in Canadian Dollars)

20. 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.

(Expressed in Canadian Dollars)

20. Financial Instruments and Risk Assessment (continued)

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

The Company 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.

(Expressed in Canadian Dollars)

20. Financial Instruments and Risk Assessment (continued)

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.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on all of the Company's existing debt are fixed or non-interest bearing, and therefore it is not currently subject to any significant interest rate risk.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations to cash, accounts receivable, and trade and other payables. As at January 31, 2024, the Company had minimal accounts in foreign currencies, and considers foreign exchange risk to be insignificant.

(Expressed in Canadian Dollars)

20. Financial Instruments and Risk Assessment (continued)

(c) Price risk

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

21. 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
	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 those dates, not disclosed elsewhere in these 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 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 (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.

(Expressed in Canadian Dollars)

22. Income Taxes

a) Income tax expense:

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in the consolidated financial statements:

		January 31, 2024		January 31, 2023
		$		$
Loss before income taxes		**(2,056,353)**		7,609,338
Statutory income tax rate		**26.50%**		26.50%
Expected income tax expense (recovery) at statutory income tax rate		**(544,934)**		2,016,475
Changes in income taxes resulting from:				
Stock-based compensation		**58,000**		-
Fair value adjustment of derivative liabilities		**150,000**		-
Accreted interest		**37,000**		5,286
Share issuance costs 20(1)(e)		**(5,000)**		(2,073)
Temporary tax differences		**108,000**		(52,180)
Unrealized gain on acquisition of 276 Ontario		**116,000**		(2,154,230)
Other		**-**		(25,085)
Deferred tax assets not recognized		**17,157**		148,030
Provision for income tax expense (recovery)		**(63,777)**		(63,777)
Current income tax	**$**	**-**	**$**	-
Deferred tax recovery	**$**	**(63,777)**	$	(63,777)

b) Deferred income taxes:

The tax effects of temporary differences that give rise to the deferred income tax assets and liabilities are as follows:

	January 31, 2024	January 31, 2023
	$	$
Deferred tax assets (liabilities):		
Non-capital losses	**3,255,000**	3,179,436
Share issuance costs	**18,000**	23,000
Property and equipment	**(10,000)**	8,500
Right-of-use assets and lease liabilites, net	**464,000**	235,000
Intangible assets - brand name	**(775,949)**	(839,726)
Less: Unrecognized deferred tax assets	**(3,727,000)**	(3,445,936)
Net deferred tax asset (liability)	**(775,949)**	(839,726)

The Company has capital losses carried forward of approximately $12,282,000 which will begin to expire from 2035 to 2044.

(Expressed in Canadian Dollars)

23. Non-cash transactions affecting cash flows from financing and investing activities

During the year ended January 31, 2024, the Company had the following non-cash transactions from investing and financing activities:

- The Company issued stock options and RSUs (Note 16);
- The Company's granted RSUs were converted into common shares of the Company (Note 15);
- The Company had a convertible debenture issuance which had embedded derivative liabilities in connection with the conversion feature and warrants (Note 18); and
- The Company entered into sublease arrangements which resulted in the derecognition the related right-of-use assets and the recognition of an investment in subleases (Note 8).

During the year ended January 31, 2023, the Company had the following non-cash transactions from investing and financing activities:

- The Company issued common shares of the acquisition of 276 Ontario (Note 13 and 15); and
- The Company had a modification of an existing lease agreement (Note 8).

24. Operating Segments

The Company has assessed that it operates in only one operating segment, being retail. The chief operating decision maker ("CODM") is the Chief Executive Officer of the Company, who reviews, assesses, and allocates resources on the total operations. The Company segregates total revenue as follows:

	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

During the years ended January 31, 2024 and 2023, the Company had no sales to any customer exceeding 10% of total revenue.

25. Comparative Amounts

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

26. 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. 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.