

Spyder Vapes Inc.
Consolidated Financial Statements
For the years ended January 31, 2019 and 2018
(expressed in Cdn \$)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Spyder Vapes Inc.:

Opinion

We have audited the consolidated financial statements of Spyder Vapes Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Company for the year ended January 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on April 26, 2019.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as of January 31, 2019 and 2018 the Company had an accumulated deficit of \$1,161,268 and had generated negative cash flow from operations in the current year totaling \$522,072. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated 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

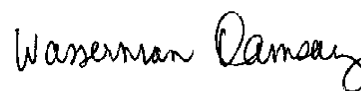
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Kevin Ramsay.



Markham, Ontario
June 17, 2019

Chartered Professional Accountants
Licensed Public Accountants

Spyder Vapes Inc.
Consolidated Statements of Financial Position
As at January 31
(Expressed in Canadian Dollars)

	2019	2018
ASSETS		
Current:		
Cash	\$ 81,532	\$ 121,974
Guaranteed investment certificate	400,000	-
Sales tax receivable	40,473	16,892
Inventory <i>(Note 5)</i>	155,426	95,043
Deferred finance charges	-	15,000
Prepaid expenses	191,478	28,285
	<u>868,909</u>	<u>277,194</u>
Non-current assets		
Property and equipment <i>(Note 6)</i>	136,472	177,348
Total non-current assets	<u>136,472</u>	<u>177,348</u>
	<u>\$ 1,005,381</u>	<u>\$ 454,542</u>
LIABILITIES AND EQUITY		
Current:		
Trade and other payables <i>(Note 7)</i>	\$ 248,692	\$ 161,272
Loan payable -current <i>(Note 9)</i>	24,967	24,967
Total current liabilities	<u>273,659</u>	<u>186,239</u>
Non-current liabilities:		
Loan payable <i>(Note 9)</i>	58,252	83,219
Convertible debentures <i>(Note 10)</i>	1,170,988	445,831
Total non-current liabilities	<u>1,229,240</u>	<u>529,050</u>
	<u>1,502,899</u>	<u>715,289</u>
SHAREHOLDERS' DEFICIENCY		
Share Capital <i>(Note 11)</i>	79,979	730
Warrants <i>(Note 13)</i>	28,250	-
Equity component of convertible debentures <i>(Note 11)</i>	239,142	82,393
Contributed Surplus <i>(Note 12)</i>	316,379	197,000
Deficit	(1,161,268)	(540,870)
	<u>(497,518)</u>	<u>(260,747)</u>
	<u>\$ 1,005,381</u>	<u>\$ 454,542</u>

Nature of Operations and Going Concern - Note 1
Commitment and contingencies - Note 20
Subsequent events - Note 21

Approved on behalf of the Board on June 17, 2019:

"Mark Pelchovitz"
Director

Daniel Pechovitz
Director

Spyder Vapes Inc.**Consolidated statements of Loss and Comprehensive Loss****For the years ended January 31, 2019 and 2018****(Expressed in Canadian Dollars)**

	2019	2018
Sales	\$ 971,627	\$ 739,560
Cost of sales	496,757	415,221
Gross margin	474,870	324,339
Expenses:		
Marketing	9,382	4,539
Finance charges (Note 15)	195,522	53,585
General administration (Note 14)	918,025	642,680
Total expenses	1,122,929	700,804
Operating loss	(648,059)	\$ (376,465)
Deferred tax recovery	(27,661)	(14,540)
Loss and comprehensive loss for the period	\$ (620,398)	\$ (361,925)
Net loss per share - basic and diluted	\$ (0.08)	\$ (0.05)
Weighted average number of shares outstanding - basic and diluted (Note 10)	7,728,102	7,300,000

Spyder Vapes Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Shares \$ Amount	Reserves	Equity component of Conv Deb.	Deficit	Total Equity
Balance January 31, 2017	\$ 730	\$ -	-	\$ (178,945)	\$ (178,215)
Net loss for year			-	(361,925)	(361,925)
Stock-based compensation <i>(Note 12)</i>	-	197,000	-	-	197,000
Equity portion of convertible debentures, net of deferred tax <i>(Note 10)</i>	-	-	82,393	-	82,393
Balance January 31, 2018	730	197,000	82,393	(540,870)	(260,747)
Net loss for the year		-	-	(620,398)	(620,398)
Shares issued	79,249	-	-	-	79,249
Finders' warrants issued <i>(Note 13)</i>		28,250	-	-	28,250
Equity portion of convertible debentures, net of deferred tax <i>(Note 10)</i>	-	-	156,749	-	156,749
Stock-based compensation	-	119,379	-	-	119,379
Balance January 31, 2019	\$ 79,979	\$ 344,629	239,142	\$ (1,161,268)	\$ (497,518)

Spyder Vapes Inc.
Consolidated Statement of Cash Flows
For the years ended January 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
Cash was provided by (used in) the following activities:		
Operating activities		
Net loss for the period	\$ (620,398)	\$ (361,925)
Items not requiring an outlay of cash:		
Amortization (Note 6)	46,117	32,221
Stock-based compensation (Note 12)	119,379	197,000
Accretion (Note 10)	105,228	19,764
Deferred tax recovery (Note 16)	(27,661)	(14,540)
Inventory obsolescence (Note 5)	-	4,073
Foreign exchange	-	1,385
Change in non-cash working capital:		
Deferred finance charges	15,000	(15,000)
Sales tax receivable	(23,581)	-
Inventory	(60,383)	(14,915)
Prepaid expenses and deposits	(163,193)	(8,985)
Trade and other payables (Note 7)	87,420	72,558
Shareholder (repayments) advances	-	(289,733)
Cash flows provided by (used in) operating activities	(522,072)	(378,097)
Financing activities		
Interest payable	-	(5,458)
Payment on loans payable	(24,967)	(9,667)
Proceeds from bank loan	-	87,570
Net cash proceeds from convertible debentures (Note 10)	869,738	523,000
Capital stock issued for cash	42,100	-
Cash flows provided by (used in) financing activities	886,871	595,445
Investing activities		
Guaranteed investment certificates purchased	(400,000)	-
Purchase of property and equipment (Note 6)	(5,241)	(107,094)
Cash flows provided by (used in) investing activities	(405,241)	(107,094)
Increase (decrease) in cash during the year	(40,442)	110,254
Cash, beginning of year	121,974	11,720
Cash, end of year	\$ 81,532	\$ 121,974

Spyder Vapes Inc.
Notes to the Consolidated Financial Statements
For the years ended January 31, 2019 and 2018
(Expressed in Canadian Dollars)

1. Nature of business and Going Concern

Spyder Vapes Inc. (the “Company”) was incorporated under the laws of the Canada Business Corporations Act on August 18, 2014. The Company is privately-held and sells electronic cigarettes, Ejuice and accessories for the “vape” business from three Canadian retail locations; Woodbridge, Scarborough and Burlington, Ontario. The Company has signed leases for four other locations in Ontario, Niagara Falls, Burlington, Pickering and Guelph. These locations are currently in their fixturing period and have not commenced operations as of January 31, 2019. The Company is pursuing the sale of cannabis from retail stores in both Ontario and Alberta. The sale of cannabis in these provinces is subject to obtaining regulatory approval.

The address of the Company’s corporate and registered office is 7600 Weston Road, Unit 51, Woodbridge, Ontario, L4L 8B7.

Going concern

For the year ended January 31, 2019, the Company incurred losses of \$620,398 (2018 - \$361,925) resulting in an accumulated deficit at January 31, 2019 of \$1,161,268 and generated negative operating cash flows of \$522,072 during the year. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

As a result, within the next twelve months the Company will need to generate positive cash flows from operations, and/or obtain additional equity or debt financing in order to meet its liabilities as they come due and to continue with its business activities. Subsequent to January 31, 2019 the company completed an additional convertible debenture financing for a total of \$294,500 (see Note 21).

These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities that would be necessary if the Company were unable to continue its operations.

Accordingly, these consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Spyder Vapes Inc. (the “Company”) was incorporated under the laws of the Canada Business Corporations Act on August 18, 2014. The Company is privately-held and sells electronic cigarettes, Ejuice and accessories for the “vape” business from three Canadian retail locations; Woodbridge, Scarborough and Burlington, Ontario. Subsequent to January 31, 2019, the Company is pursuing the sale of cannabis from retail stores in Alberta. The sale of cannabis in these provinces is subject to obtaining regulatory approval.

The address of the Company’s corporate and registered office is 7600 Weston Road, Unit 51, Woodbridge, Ontario, L4L 8B7.

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) in effect on January 31, 2019.

These consolidated financial statements were authorized for issuance by the Board of Directors on June 17, 2019.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

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

Spyder Vapes Inc.
Notes to the Consolidated Financial Statements
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Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates and judgements are significant to the consolidated financial statements are disclosed in Note 4.

3. Summary of significant accounting policies

The accounting policies set out below are considered to be significant and have been applied consistently by the Company to all years presented in these consolidated financial statements.

Basis of combination

The Consolidated financial statements include the following companies:

Name of subsidiary	Principle activity	Place of business and operations	Equity percentage
Spyder Vapes Inc.	Retail smoking accessories	Woodbridge, ON	100%
Spyder Vapes (East) Inc.	Retail smoking accessories	Scarborough, ON	100%
Spyder Vapes (Appleby) Inc. ⁽¹⁾	Retail smoking accessories	Burlington, ON	100%
Green Spyder Inc. and its various wholly owned subsidiaries (see below)	Cannabis Holdco	Canada	100%

Newly incorporation subsidiaries

The Green Spyder Inc. is a wholly-owned subsidiary of Spyder that was incorporated pursuant to the provisions of the CBCA on June 8, 2018, for the purpose of operating all Spyder's cannabis retail stores within Canada.

The Green Spyder (Burlington) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on November 7, 2018, for the purpose of operating Spyder's proposed cannabis retail store facility, to be located in Burlington, Ontario. The Green Spyder (Burlington) Inc. has signed an 5-year offer to lease agreement.

The Green Spyder (Pickering) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on November 7, 2018, for the purpose of operating Spyder's proposed cannabis accessories retail store facility, to be located in Pickering, Ontario. On December 1, 2018, The Green Spyder (Pickering) Inc entered into a 5-year lease agreement.

The Green Spyder (Guelph) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on November 7, 2018, for the purpose of operating Spyder's proposed cannabis accessories retail store facility, to be located in Guelph, Ontario. The Green Spyder (Guelph) Inc. has signed an 5-year offer to lease agreement.

The Green Spyder (Lundys) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on November 20, 2018, for the purpose of operating Spyder's proposed cannabis accessories retail store facility, to be located in Lundys, Ontario. On January 1, 2019, The Green Spyder (Lundys) Inc entered into 5-year lease agreement.

Spyder Vapes (Meridian) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on June 8, 2018, for the purpose of operating Spyder's proposed vape and cannabis store, to be located in Calgary, Alberta.

The following Company's were incorporated in the year in anticipation of operating retail cannabis locations in Ontario. With the uncertainty of the regulatory landscape in the retail cannabis in Ontario these locations have been abandoned.

The Green Spyder (Barrie) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on November 7, 2018, for the purpose of operating Spyder's proposed cannabis retail store facility, to be located in Barrie, Ontario. The Green Spyder (Barrie) Inc. has abandoned plans for a retail store in this location.

The Green Spyder (London) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on November 7, 2018, for the purpose of operating Spyder's proposed cannabis retail store facility, to be located in London, Ontario. The Green Spyder (London) Inc. has abandoned plans for a retail store in this

Spyder Vapes Inc.
Notes to the Consolidated Financial Statements
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location.

The Green Spyder (Waterloo) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on November 20, 2018, for the purpose of operating Spyder's proposed cannabis retail store facility, to be located in Waterloo, Ontario. On January 1, 2019, The Green Spyder (Waterloo) Inc had entered into 5.3-year lease agreement which was subsequently cancelled by mutual consent.

The Green Spyder (St. Thomas) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on November 30, 2018, for the purpose of operating Spyder's proposed cannabis retail store facility, to be located in St. Thomas, Ontario. The Green Spyder (St. Thomas) Inc. has abandoned plans for a retail store in this location.

The Green Spyder (Woodbridge) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on December 8, 2018, for the purpose of operating Spyder's proposed cannabis retail store facility, to be located in Woodbridge, Ontario. The Green Spyder (Woodbridge) Inc. has abandoned plans for a retail store in this location.

The Green Spyder (Thorold) Inc. is a wholly-owned subsidiary of The Green Spyder Inc. that was incorporated pursuant to the provisions of the CBCA on December 8, 2018, for the purpose of operating Spyder's proposed cannabis retail store facility, to be located in Thorold, Ontario. The Green Spyder (Thorold) Inc. has abandoned plans for a retail store in this location.

Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of a company and be exposed to the variable returns from its activities. The financial statements of the above companies are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company transactions, balances and unrealized gains/losses on transactions between these companies are eliminated upon combination.

Cash

Cash consists of bank balances and funds held at lawyers trust.

Guaranteed Investment Certificates

Guaranteed investment certificates are cashable and are held at a Canadian Chartered bank.

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated on a specific identification or first-in first-out basis and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided using the following methods at rates intended to depreciate the costs of the assets over their estimated use lives:

Asset	Method	Rate
Furniture & equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years
Automobiles	Declining balance	30%
Website	Straight-line	2 years

When a property and equipment asset has significant components with different useful lives, each significant component is depreciated separately. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of income and other comprehensive income.

Repairs and maintenance costs that do not improve or extend productive life are recognized in the consolidated statement of loss and other comprehensive loss in the period in which the costs are incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currencies

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in consolidated statement of loss and comprehensive loss in the period in which they arise.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable, net of sales tax, trade discounts, rebates and similar allowances.

Revenue is recognized when the criteria specific to each separately identifiable component is met and the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue

Retail revenue consists of sales through the corporate stores and e-commerce operations. Sales through ecommerce operations are recognized upon the delivery of the goods to the customer and when collection is reasonably assured.

It is the Company's policy to sell merchandise with a limited right to return.

Cost of sales

Cost of sales includes direct materials, direct labour, shipping and handling related to the sale of goods.

Taxes

Tax expense is comprised of current and deferred tax. Tax is recognized in the consolidated statement of loss and other comprehensive loss except to the extent that it relates to items recognized in other comprehensive loss or equity on the statement of financial position.

Spyder Vapes Inc.
Notes to the Consolidated Financial Statements
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Current tax

Current tax is calculated using tax rates which are enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to taxation authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates which are enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences, except for temporary differences that arise from goodwill, which is not deductible for tax purposes. Deferred tax liabilities are also recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled, and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible balances can be utilized. All deferred tax assets are analyzed at each reporting period and reduced to the extent that it is no longer probable that the asset will be recovered. Deferred tax assets and liabilities are not recognized with respect to temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all share options with exercise prices below the average market price for the year.

Leases

Payments made under operating leases are recognized in earnings on a straight-line basis over the term of the lease. Lease incentives/inducements received are recognized as an integral part of the total lease expense over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is recognized as an employee expense, with a corresponding increase in equity, over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Spyder Vapes Inc.
Notes to the Consolidated Financial Statements
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Financial instruments

The Company adopted IFRS 9 as of February 1, 2018

Financial assets

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

Financial assets at Fair-value through profit or loss

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

Financial assets at Fair-value through other comprehensive income

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

Financial assets at amortized cost

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

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company’s financial liabilities include trade and other payables which are classified at amortized cost.

The Company has completed a detailed assessment of its financial instruments as of February 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9

Financial asset/liability	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Advances to shareholders	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Advances from shareholders	Other financial liabilities	Amortized cost
Convertible debentures	FVTPL	FVTPL

The adoption of this standard did not have a material impact on the Company’s consolidated financial statements but resulted in certain additional disclosures.

Impairment

IFRS 9 requires an ‘expected credit loss’ model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following

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levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and guaranteed investment certificate is valued at Level 1. Other than that, none of the Company's financial instruments is recorded at fair value on the consolidated statement of financial position. The fair values of financial instruments approximate their carrying values due to their short term to maturity. Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible secured subordinate debentures that can be converted to common shares at the option of the holder or upon the completion of a qualifying transaction, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest relating to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

Recently issued accounting standards not yet applied

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize all leases on the statement of Financial Position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers.

The Company has evaluated its existing leases for its various premises and has estimated that at adoption of this section on February 1, 2019 it will recognize right of use assets for its existing leases on its retail locations totaling \$971,966 and will recognize a long term lease liability in the same amount.

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 years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The following are the critical judgements in applying accounting policies and key sources of estimation uncertainty at the end of the reporting year that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used. The significant area of estimation uncertainty is the following:

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Write-down of inventory

Inventory is carried at the lower of cost and net realizable value; in estimating net realizable value, the Company makes estimates related to obsolescence, future selling prices, seasonality, customer behaviour, and fluctuations in inventory levels.

Taxation

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

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

Deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Judgements

Judgements is used in situations when there is a choice and/or assessment required by management. The following are critical judgements apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Determination of Cash Generating Units ("CGUs")

For the purposes of assessing impairment of non-financial assets, the Company must determine CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. The determination of the Company's CGUs was based on management's judgement in regard to shared infrastructure, geographical proximity and similar exposure to market risk and materiality. The Company has 1 CGU at January 31, 2019 (January 31, 2018 – 1).

Contingencies

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

Stock-based compensation

The Company accounts for its stock-based compensation using the fair value method of accounting for stock options granted to directors and employees using the Black-Scholes option-pricing model. Stock-based compensation is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Consideration paid upon the exercise of stock options, together with corresponding amounts previously recognized in contributed surplus, is recorded as an increase to share capital. The amount recognized as expense is adjusted for an estimated forfeiture rate for options that will not vest, which is adjusted as actual forfeitures occur, until the shares are fully vested.

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5 Inventory

	2019	2018
Finished goods	\$ 155,426	\$ 99,116
Inventory obsolescence	-	(4,073)
	\$ 155,426	\$ 95,043

Inventories recognized as an expense and included in cost of sales during the year ended January 31, 2019 totaled \$490,419 (2018 – \$404,925).

6. Property and equipment

	Furniture and equipment	Computer equipment	Leasehold improvements	Automobiles	Website & Signs	Total
Balance, January 31, 2017	33,022	15,639	\$ 64,903	\$ 39,644	\$ 32,847	\$ 186,055
Additions	19,945	3,149	80,260	-	3,740	107,094
Balance, January 31, 2018	52,967	18,788	145,163	39,644	36,587	293,149
Additions	-	2,441	-	-	2,800	5,241
Balance, January 31, 2019	52,967	21,229	\$ 145,163	\$ 39,644	\$ 39,387	\$ 298,390
Accumulated depreciation						
Balance, January 31, 2017	9,145	7,853	\$ 27,026	\$ 15,039	\$ 24,517	\$ 83,580
Charge for the year	5,222	2,626	14,316	7,381	2,676	32,221
Balance, January 31, 2018	14,367	10,479	41,342	22,420	27,193	115,801
Charge for the year	7,719	3,224	29,032	5,167	975	46,117
Balance, January 31, 2019	22,086	13,703	\$ 70,374	\$ 27,587	\$ 28,168	\$ 161,918
Net book value						
2018	38,600	8,309	\$ 103,821	\$ 17,224	\$ 9,394	\$ 177,348
2019	30,881	7,526	\$ 74,789	\$ 12,057	\$ 11,219	\$ 136,472

7. Trade and other payables

	2019	2018
Trade payables	\$ 63,295	\$ 55,638
Accrued liabilities	73,605	59,365
Salaries payable	5,500	4,055
Accrued interest	106,292	25,322
	\$ 248,692	\$ 144,380

8 Shareholder advances

Shareholder advances are unsecured, carry no interest and are due on demand.

9. Loans payable

	2019	2018
Vehicle loan payable in monthly installments of \$550, bearing 0% interest, maturity date of August 2021 and secured by related vehicle having a net book value of \$12,057 (2018- \$17,224)	\$ 17,069	\$ 23,676
Government Guaranteed bank loan payable in monthly installments of \$1,530 including interest at prime plus 3% per annum. The loan is secured by a general security agreement and is guaranteed by 2 shareholders of the Company to a maximum of 25% of the original amount advanced.	66,150	84,510
	83,219	108,186
Less current portion	(24,967)	(24,967)
Balance, January 31	\$ 58,252	\$ 83,219

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10. Convertible debentures

During the year ended January 31, 2019, the Company issued the final tranche of the convertible debenture offering announced in 2018 and issued \$150,000 (3,000,000 debentures at \$0.05) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to related and non-related counterparties. The convertible debentures are convertible into common shares of the Company immediately prior to the completion of a going public transaction or liquidity event at a conversion price of \$0.05 per common share, and upon giving effect to such conversion, all accrued and unpaid interest will be paid in full.

During the year ended January 31, 2019, the Company issued \$844,985 (8,449,850 debentures at \$0.10) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to related and non-related counterparties. The convertible debentures are convertible into common shares of the Company immediately prior to the completion of a going public transaction or liquidity event at a conversion price of \$0.10 per common share, and upon giving effect to such conversion, all accrued and unpaid interest will be paid in full. Pursuant to this offering the Company paid cash finders' fees totaling \$88,624 and incurred legal expenses totaling \$43,505. In addition, the Company issued 372,493 finders' shares at \$0.10 per share and also issued 387,493 finders' warrants. Each finders warrant is exercisable into a common share of the Company for \$0.10 per share for a period of 2 years from issuance. The finders warrants were valued at \$28,250 using a Black-Scholes option pricing model with the following assumptions: volatility of 154%, expected life of 2 years, risk-free interest rate of 1.60%, forfeiture rate of Nil, and expected dividend yield of 0%

On the initial recognition, management used the residual method to allocate the fair value of conversion option. Management calculated the fair value of the liability component as \$850,575 using a discount rate of 22.5%, with the resulting residual amount of \$184,410 (less deferred tax of \$27,661) being the fair value of the conversion recorded in equity.

At the issuance date the convertible debentures issued in the year were recorded as follows:

Debt component	\$ 810,575
Conversion option recognized in equity	184,410
Net proceeds	\$ 994,985

During the year ended January 31, 2018, the Company issued \$523,000 (10,460,000 debentures at \$0.05) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to related and non-related counterparties. The convertible debentures are convertible into common shares of the Company immediately prior to the completion of a going public transaction or liquidity event at a conversion price of \$0.05 per common share, and upon giving effect to such conversion, all accrued and unpaid interest will be paid in full.

On the initial recognition, management used the residual method to allocate the fair value of conversion option. Management calculated the fair value of the liability component as \$426,067 using a discount rate of 22.5%, with the resulting residual amount of \$96,933 (less deferred tax of \$14,540) being the fair value of the conversion recorded in equity.

At the issuance date the convertible debentures issued in the prior year were recorded as follows:

Debt component	\$ 426,067
Conversion option recognized in equity	96,933
Net proceeds	\$ 523,000

The debt component is being accreted using the effective interest rate method:

	2019	2018
Opening Balance	\$ 445,831	\$ -
Issuance	810,575	426,067
Expenses of issuance	(190,646)	-
Accretion	105,228	19,764
Closing Balance	\$ 1,170,988	\$ 445,831

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11. Share capital

The Company is authorized to issued unlimited number of common shares.

	#	\$
Balance, January 31, 2018, 2017	7,300,000	730
Issued for cash	420,000	42,000
Finders shares issued with convertible debentures	372,493	37,249
Balance January 31, 2019	8,092,493	79,979

During the year the Company issued 420,000 common shares at \$0.10 per share for cash proceeds of \$42,000.

During the year the Company issued 372,493 Finders' common shares at \$0.10 per share for \$37,243 (see Note 10).

In addition, to the outstanding stock options and warrants as more fully described in Notes 12 and 13 below, the Company has reserved 21,909,850 common shares for issuance on conversion of the convertible debentures as described in Note 10.

12. Share based payments

On September 1, 2017, the Company established a stock-based compensation plan (the "Plan") which provides for the granting of incentive share options, non-statutory share options, share appreciation rights, restricted share awards, restricted share unit awards, and other share awards (collectively "Share Awards") to selected directors, employees and consultants for a period of 5 years from the establishment of the Plan. The Plan is intended to help the Company secure and retain the services and provide incentives for increased efforts for the success of the Company.

The Board of Directors grants Share Awards from time to time based on its assessment of the appropriateness of doing so considering the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract key personnel, the number of Share Awards already outstanding and overall market conditions.

The number of common shares reserved for issuance under the Plan is fixed at a maximum of ten percent of issued and outstanding common shares (the "Share Reserve"). Repurchase or return of previously issued shares to the Plan increases the number of shares available for issue.

The fair value of options granted during the year ended January 31, 2019 was estimated on the date of the grant using the Black-Scholes option pricing model with the following:

Grant date	September 4, 2018
Number of options granted	200,000
Grant date share price	\$0.10
Exercise price	\$0.10
Expected volatility	154%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.60%
Forfeiture rate	0%
Fair value per option	\$0.092

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Grant date	October 10, 2018
Number of options granted	500,000
Grant date share price	\$0.10
Exercise price	\$0.10
Expected volatility	154%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.60%
Forfeiture rate	0%
Fair value per option	\$0.092

Grant date	November 1, 2018
Number of options granted	600,000
Grant date share price	\$0.10
Exercise price	\$0.10
Expected volatility	154%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.60%
Forfeiture rate	0%
Fair value per option	\$0.092

The fair value of options granted during the year ended January 31, 2018 was estimated on the date of the grant using the Black-Scholes option pricing model with the following:

Grant date	September 1, 2017
Number of options granted	2,000,000
Grant date share price	\$0.10
Exercise price	\$0.05
Expected volatility	230%
Expected life (years)	5
Expected dividend yield	0%
Risk-free interest rate	1.59%
Forfeiture rate	0%
Fair value per option	\$0.099

Total stock-based compensation recorded during the year ended January 31, 2019 was \$119,379 (2018 - \$197,000).

A summary of the Company's options outstanding at January 31 is as follows:

	2019			2018		
	Number	Exercise Price	Remaining Contractual Life	Number	Exercise Price	Remaining Contractual Life
Balance, beginning of the year	2,000,000	0.05	3.67	-	-	-
Granted	1,300,000	0.10	4.71	2,000,000	0.05	4.67
Balance, end of the year	3,300,000	0.07	4.03	2,000,000	0.05	4.67
Exercisable, end of the year	3,300,000	0.07	4.03	2,000,000	0.05	4.67

At January 31, 2019, all 3,300,000 (2018 – 2,000,000) outstanding options are fully vested.

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13. Warrants

Pursuant to the debenture financings in the current year, which closed in November and December 2018, as more fully described in Note 10, the Company issued 387,493 finders warrants. Each warrant is exercisable at a price of \$0.10 into one common share for a period of two years from issuance.

The fair value of warrants granted during the year ended January 31, 2019 was estimated on the date of the grant using the Black-Scholes option pricing model with the following:

Number of warrants issued	387,493
Grant date share price	\$0.10
Exercise price	\$0.10
Expected volatility	154%
Expected life (years)	2
Expected dividend yield	0%
Risk-free interest rate	1.60%
Forfeiture rate	0%
Fair value per warrant	\$0.073

A summary of the Company's warrants outstanding at January 31 is as follows:

	2019			2018		
	Number	Exercise Price	Remaining Contractual Life	Number	Exercise Price	Remaining Contractual Life
Balance, beginning of the year	-	-	-	-	-	-
Granted	387,493	0.10	1.83	-	-	-
Balance, end of the year	387,493	0.10	1.83	-	-	-
Exercisable, end of the year	387,493	0.10	1.83	-	-	-

14. General administrative expenses

The break-down of the Company's general administrative expenses is as follows:

	2019	2018
Amortization (Note 6)	\$ 46,117	\$ 32,221
Professional fees	131,573	45,003
Rental	144,889	101,997
Salaries, wages and benefits	293,055	185,821
Stock-based compensation (Note 12)	119,379	197,000
Bank charges	15,525	6,292
Insurance	12,289	3,755
Lease walk-away	52,882	-
Telephone, website and Internet	25,178	17,303
Other	77,138	53,288
	\$ 918,025	\$ 642,680

15. Finance charges

Finance charges are comprised of the following:

	2019	2018
Interest on loans payable	\$ 9,324	\$ 8,498
Interest on convertible debentures	80,970	25,323
Accretion (Note 10)	105,228	19,764
	\$ 195,522	\$ 53,585

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16. Taxes

The provision for income taxes differs from the result that would have been obtained by applying the consolidated federal and provincial tax rates to the income before taxes. The difference results from the following items:

	2019	2018
Income (loss) before taxes	\$ (648,059)	\$ (376,465)
Statutory income tax rate (%)	14.92 %	15.00 %
Expected taxes at statutory rate	(96,690)	(56,168)
Changes in taxes resulting from:		
Non-deductible items and other	39,653	29,509
Deferred tax assets not recognized	29,376	12,119
Deferred tax recovery	\$ (27,661)	\$ (14,540)

The statutory tax rate is 14.92% due to a reduction in the federal tax rate on January 1, 2019. The following table provides detail of the deferred tax assets and liabilities.

Deferred Tax Assets (Liabilities)	2018	
Property and equipment	\$ 3,918	\$ (5,261)
Non-capital losses	18,530	30,605
Convertible Debt	5,213	(10,804)
Deferred tax asset (liability)	\$ 27,661	\$ 14,540

The following table provides details of the unrecognized deductible temporary differences and unused losses which no deferred tax asset has been recognized:

Unrecognized Deductible Temporary Differences	2019	2018
Non-capital losses	\$ 652,148	\$ 223,896
Financing costs	52,000	27,000
Unrecognized deductible temporary differences	\$ 704,148	\$ 250,896

The Company has non-capital losses which are available for deduction against future taxable income and will expire in the fiscal period ending between 2039 and 2039.

17. Capital management

The Company's objectives when managing capital are to:

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

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements or covenants.

The Company's capital structure consists of equity and working capital. In order to maintain or alter the capital structure, the Company may adjust capital spending, raise new debt and issue share capital.

18. Financial instruments and risk management

Fair value

Financial instruments of the Company consist of cash, trade and other payables, advances to/from shareholders', convertible debentures and loans payable. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the statements of financial position and their estimated fair values due to the short-term nature of these items and convertible debentures and loans payable approximate their fair value as terms and conditions represent market terms and conditions.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to

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develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

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

Market risk

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

Interest rate risk

The Company is exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its loans payable balance which accrues interest at a variable rate. Fluctuations in market rates do not have a significant impact on the Company's results of operations.

Credit risk

The Company is exposed to credit risk on its cash balance which is held with reputable financial institutions. As at January 31, 2018, management considered the Company's credit risk in relation to such financial assets to be low.

Liquidity risk

The Company is exposed to liquidity risk. Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they fall due. the Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. the Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing.

Undiscounted contractual cash outflow of financial liabilities based on maturity date are as follows:

January 31, 2019	1 year	2 to 5 years	>5 years	Total
Trade and other payables	\$ 248,692	\$ -	\$ -	\$ 248,692
Loans payable	24,967	58,252	-	83,219
Convertible debentures	-	1,517,895	-	1,517,895
	\$ 273,659	\$ 1,576,147	\$ -	\$ 1,849,806

January 31, 2018	1 year	2 to 5 years	>5 years	Total
Trade and other payables	\$ 144,380	\$ -	\$ -	\$ 144,380
Loans payable	24,967	83,219	-	108,186
Convertible debentures	-	523,000	-	523,000
	\$ 169,347	\$ 606,219	\$ -	\$ 775,566

Foreign currency risk

Foreign exchange risk arises from the changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. For the Company, it is the Canadian dollar denominated expenditures which presents the risk as the cash flows are denominated in Canadian dollars. An increase in the value of the Canadian dollar as compared to the US dollar will increase the net cash outflow relating to expenditures.

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19. Related party transactions

Key management personnel compensation

the Company defines key management personnel as being the Chief Executive Officer and Chief Financial Officer. the Company doesn't provide non-cash benefits to the key management.

Key management compensation for the years ended January 31 is as follows:

	2019	2018
Stock-based compensation	\$ 18,366	\$ 99,000
Salaries and other short-term employee benefits	\$ 62,400	\$ 32,707

Other related party transactions and balances:

Included in the total Convertible debentures issued to date are amounts with a face value of \$323,000 issued to related parties.

20. Commitments

Leases

the Company has commitments relating to operating leases for its retail locations under non-cancelable operating lease. The future minimal annual rental payments under these operating leases are as follows:

<u>As at January 31,</u>	2019
Less than one year	\$ 296,397
Between one and five years	1,063,830
More than five years	91,927
	\$ 1,452,154

21. Subsequent events

Application for retail cannabis licenses

The Company through its newly incorporated subsidiary Green Spyder Inc. (incorporated on June 8, 2018 in the province of Alberta), has submitted an application for a maximum of 1 retail cannabis licence in Alberta.

Qualifying transaction

The Company signed a binding agreement with Anchor Capital Corporation ("Anchor") a Canadian Public Company which outlines the terms of a reverse take-over ("RTO") by the Company of Anchor. On the closing date, the Company's and Anchor's common share will be exchanged for an equivalent number of shares in the amalgamated corporation. The transactions closed on May 31, 2019. As a part of the Qualifying Transaction, the Company amalgamated with 11304372 Canada Inc. ("Acquisition Co"), a wholly-owned subsidiary of Anchor formed solely for the purpose of facilitating the three-cornered amalgamation (the "Amalgamation") in connection with the Qualifying Transaction. In accordance with the terms of the Amalgamation, Anchor purchased all of the issued and outstanding common shares of the Company Spyder (each, a "Private Spyder Share") on the basis of one (1) common share in the capital of Anchor (each, a "New Spyder Share") for each one (1) Private Spyder Share outstanding immediately prior to the Amalgamation. In addition, Anchor, as the resulting issuer, also changed its name from "Anchor Capital Corporation" to "Spyder Cannabis Inc."

Upon closing of the Amalgamation, the Corporation has 39,938,375 New Spyder Shares issued and outstanding and 5,230,561 New Spyder Shares reserved for issuance. The New Spyder Shares reserved for issuance include 1,379,161 warrants and 3,851,400 stock options. Further, following closing of the Amalgamation, (i) the former shareholders of the Company own approximately 88.7% of the issued and outstanding New Spyder Shares, (ii) the principals of Private Spyder collectively hold 12,644,986 New Spyder Shares and 1,400,000 stock options

Subsequent convertible debenture financing

Subsequent to year end the Company completed a further tranche of the convertible debenture financing disclosed in note 10 and issued \$294,500 (1,963,333 debentures at \$0.15) secured with a first charge over assets of the Company and subordinated convertible debentures which mature 2 years from the date of issuance and bear interest at 10% per annum, payable annually. The debentures were issued to non-related counterparties. The convertible debentures are convertible into

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common shares of the Company immediately prior to the completion of a going public transaction or liquidity event at a conversion price of \$0.15 per common share, and upon giving effect to such conversion, all accrued and unpaid interest will be paid in full. Pursuant to this offering the Company paid cash finders' fees totaling \$1,600 and issued 10,667 finder's warrants. Each finder's warrant is exercisable into a common share of the Company for \$0.15 per share for a period of 2 years from issuance.