



SPYDER CANNABIS INC

Management Discussion and Analysis

Year Ended January 31, 2020

**SPYDER CANNABIS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JANUARY 31, 2020**

July 14, 2020

This management's discussion and analysis ("MD&A") provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the year ended January 31, 2020, compared to the year ended January 31, 2019. This report prepared as at July 14, 2020 intends to complement and supplement our consolidated financial statements (the "financial statements") as at January 31, 2020 and should be read in conjunction with the financial statements and the accompanying notes. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian Dollars, unless otherwise specified.

FORWARD-LOOKING STATEMENTS

The following Management's Discussion and Analysis ("MD&A") contains statements which, to the extent that they are not recitations of historical facts, may constitute forward-looking information under applicable Canadian securities legislation. Such forward-looking statements or information include financial and other projections as well as statements regarding the Company's future plans, objectives, performance, revenues, growth, profits, operating expenses or the Company's underlying assumptions. Forward-looking statements and information relating to the Company are based on the beliefs of management as well as assumptions made by and information currently available to us. The words "may", "would", "could", "will", "likely", "expect", "anticipate", "intend", "plan", "forecast", "project", "estimate" and "believe" or other similar words and phrases may identify forward-looking statements or information. Persons reading this MD&A are cautioned that such statements or information are only predictions, and that the Company's actual future results or performance may be materially different. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital and the estimated cost and availability of funding. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: the possibility of development or deployment difficulties or delays; the timing of entering into significant contracts; the performance of the global economy; industry analyst perception of the Company and its vision and future prospects; the success of certain business combinations engaged in by the Company or by its competitors; possible disruptive effects of organizational or personnel changes; new products and standards; risks related to acquisitions and international expansion; reliance on large customers; dependence upon key personnel and hiring; reliance on a limited number of suppliers; risks related to the Company's competition; the Company not adequately protecting its intellectual property; currency exchange rate

FORWARD-LOOKING STATEMENTS (CONTINUED)

risk; and including, but not limited to, other factors described in the Company's reports filed on SEDAR, its listing statement and those referred to under the heading "Risks and Uncertainties".

In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company's ability to execute on its business plan; timing of execution of outstanding or potential customer contracts by the Company; sales opportunities available to the Company; the Company's subjective assessment of the likelihood of success of a sales lead or opportunity; the Company's historical ability to generate sales leads or opportunities; and that sales will be completed at or above the Company's estimated margins. This list is not exhaustive of the factors that may affect the Company's forward-looking information. These factors should be considered carefully and readers should not place undue reliance on forward-looking information. All forward-looking statements made in this MD&A are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. The Company disclaims any intention and obligation to update and revise forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

Nature of business and Going Concern

Nature of Business

Spyder Cannabis Inc. (Formerly Anchor Capital Corporation) (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on February 20, 2014. The Company is publicly-held and its common shares are listed on the TSX Venture Exchange ("TSX-V") and under the symbol "SPDR" and sells electronic cigarettes, cannabis supplies, Ejuice and accessories for the "vape" business from five Canadian retail locations; Woodbridge, Scarborough, Pickering, Niagara Falls and Burlington, Ontario. 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 Company is also pursuing the sale of Hemp based CBD products from locations in the USA.

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

Reverse Takeover

On May 31, 2019, the Company completed the acquisition of Spyder Vapes Inc. ("Vapes") a privately held company incorporated on August 18, 2014. The Company acquired all of the issued and outstanding shares of Vapes through a reverse takeover transaction (the "RTO"), which was effected pursuant to a merger agreement between Anchor Capital Corporation, a Canadian Public Company and Spyder Vapes Inc. The Company's and Vapes common shares were exchanged for an equivalent number of shares in the amalgamated corporation. The transaction closed on May 31, 2019. As part of the RTO, Vapes with 11304372 Canada Inc ("AcquisitionCo"), a wholly-owned subsidiary of the Company formed solely for the purpose of facilitating the three-cornered amalgamation (the "Amalgamation") in connection with the RTO. In accordance with the terms of the Amalgamation, the Company purchased all of the issued and outstanding common shares of Vapes on the basis of one (1) common share in the capital of the Company

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(each a "New Spyder Share") for each one (1) Vapes common share outstanding immediately prior to the Amalgamation. In addition, the Company, as the resulting issuer, also changed its name from "Anchor Capital Corporation" to "Spyder Cannabis Inc."

Upon closing of the Amalgamation, the Company issued 40,025,331 New Spyder Shares and 5,230,561 New Spyder Shares reserved for issuance. The New Spyder Shares reserved for issuance include 1,379,828 warrants and 3,851,400 stock options. Further, following closing of the Amalgamation, (i) the former shareholders of Vapes owned approximately 88.7% of the issued and outstanding New Spyder Shares, (ii) the principals of Vapes collectively held 12,644,986 New Spyder Shares and 1,400,000 stock options.

Going Concern

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the year ended January 31, 2020, the Company incurred losses of \$2,179,169 (2019 - \$620,398) resulting in an accumulated deficit at January 31, 2020 of \$3,340,437 and generated negative operating cash flows of \$779,394 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.

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.

Further, in March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

COMPANY OVERVIEW

The following is a description of how the business of Spyder and its subsidiaries developed over the three most recently completed financial years and the current financial year:

- Between May 2017 and February 2018, Spyder completed a private placement of secured convertible debentures, raising aggregate gross proceeds of \$673,000. The principal amount of the secured convertible debentures issued in private placement, together with any accrued but unpaid interest, may be converted into Spyder Shares at a conversion price of \$0.05 per Spyder Share with the maturity date falling two years following closing.
- On May 8, 2017, Spyder entered into a five-year lease agreement with ICP Developers Inc. for an approximately 1,000 square feet retail location in Burlington, Ontario. In December 2017, Spyder opened its third vape shop at the Burlington location.
- In January 2018, Spyder entered into a non-disclosure with Divine Laboratories Inc. (“**Dvine**”), one of Canada’s largest wholesale manufacturers of e-liquids, based in Lindsay, Ontario. The non-disclosure agreement marked the first step in negotiations between Spyder and Dvine to outsource to Dvine production of Spyder’s proprietary e-juice lines. Pursuant to the terms of the non-disclosure agreement, Dvine is obliged to hold confidence all proprietary e-juice recipes owned by Spyder and disclosed to Dvine.
- In March 2018, two months after the entering into the non-disclosure agreement, Spyder began negotiations with Dvine to outsource production of two of Spyder’s newly developed proprietary e-juice lines, “Spyder Vapes” and “Nautical E-Liquids”. Following such negotiations, Dvine and Spyder entered into an arrangement, pursuant to which Dvine acquired the non-exclusive right to manufacture the “Spyder Vapes” and “Nautical E-Liquids” e-juice lines, and to utilize Spyder’s logos in the manufacturing process.
- In April 2018, Spyder introduced its two new proprietary e-juice lines, “Spyder Vapes” and “Nautical e-Liquids”, which increased Spyder’s proprietary flavours to a combined total of approximately 17 flavours such as “Gator Sauce”, “Berry Bombs” and “Siren”.
- In July 2018, Spyder acquired a lease for approximately 8,000 square feet location in Calgary, Alberta, which Spyder intends to operate both as a retail location, and as a central distribution hub for its product offerings. Spyder has received a municipal development and building permit in late 2018 for its Calgary location, subject to receiving a variance from the Province of Alberta.
- On November 7, 2018 Spyder enters into non-binding letter of intent (the “LOI”) with Anchor Capital Corporation. The terms outline the conditions pursuant to which Anchor and Spyder would be willing to complete a transaction that will result in a reverse take-over of anchor by the shareholders of Spyder.
- In November and December of 2018, Spyder completed a private placement of secured convertible debentures, raising aggregate gross proceeds of \$829,985. The principal amount of the secured convertible debentures issued in the private placement, together with accrued but

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unpaid interest thereon, may be converted at a conversion price of \$0.10 per Spyder Share, with the maturity date falling two years following closing. In connection with the 10 Cent Round, Spyder paid the Finder a cash fee of 10.0% of the gross proceeds raised by the Finder in the 10 Cent Round, 372,493 Spyder Shares, and 387,493 Spyder Warrants. Each Spyder Warrant is exercisable at a price of \$0.10 into one (1) Spyder Share for a period of two years following closing.

- In April and May, 2019, Spyder completed its non-brokered concurrent financing of secured convertible debentures (the “**Concurrent Financing**”) with the Qualifying Transaction, raising gross proceeds of \$294,500 through the sale of secured convertible debentures convertible into an aggregate of 1,963,333 units of Private Spyder (each a “**Unit**”) at a price of \$0.15 per Unit. Each Unit consists of one (1) Private Spyder Share and one-half (1/2) of one Spyder Warrant, with each whole Spyder Warrant entitling the holder thereof to purchase one (1) Private Spyder Share at an exercise price of \$0.30 per share for a period of 24 months from the date of issuance.
- On June 11, Spyder Cannabis common shares began trading on the TSX Venture Exchange (the “Exchange”) under the stock ticker symbol “SPDR”.
- On June 18, 2019 Spyder Launches “CEO Verified” Discussion Forum on AGORACOM to act as Primary Investor Social Media Platform. Spyder also receives significant exposure through millions of content brand insertions on the AGORACOM network and extensive search engine marketing over the next 12 months. In addition, exclusive sponsorships of invaluable digital properties such as AGORACOM TV, the AGORACOM home page and the AGORACOM Twitter account will serve to significantly raise the brand awareness of the Corporation among small cap investors.
- On June 20, 2019, Spyder Cannabis announces plans to enter US hemp derived market through rollout of boutique retail and kiosk stores. These boutiques will stock Spyder’s SPDR[®] branded hemp derived, and infused products developed for an aging, health wellness demographic.
- On June 26, 2019, Spyder Cannabis Celebrates Canada Day Weekend with Launch of New Hemp Energy Drink Line. Spyder Cannabis signed an exclusive agreement with Tetra Natural Health, a subsidiary of Tetra Bio-Pharma (TSXV:TBP) (OTCQB:TBPMF), to distribute the three flavors of its Hemp Energy Drink in cannabis accessory stores, vape stores, and kiosks in Canada and the United States.
- On July 18, 2019, Spyder signed its first hemp agreement for the supply of full spectrum products to support Spyder’s debut of a hemp infused product line. The initial launch will feature four distinct hemp-derived products; Balms at 125mg and 500mg strength, tinctures at 300mg, 500mg and 1,000mg strength, soft gel capsules at 15mg strength and a pet line starting with tinctures at 300mg strength.
- On July 22, 2019, Spyder received approval on their development permit for a flagship retail location in the heart of Calgary. Spyder intends to operate both as its flagship retail location and as a central distribution hub for its product offering. Spyder had received a municipal development and building permit in late 2018, subject to receiving a variance from the Province of Alberta. Spyder has now been accepted by Alberta Health Services.

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- On August 29, 2019, Spyder announced that it had entered into a purchase agreement with an arm's length third party to acquire the vendor's interest in a Development Permit issued by the City of Calgary for the operation of a Cannabis Retail Store and an assignment of the lease attached to such Development Permit, located at 104-58th Avenue SE Unit 140, Calgary Alberta. The purchase price for the Development Permit and assignment of the lease was set at \$175,000, which is payable through the issuance of 3,000,000 Spyder Shares. The transaction was completed on November 12, 2019

MANAGEMENT & DIRECTORS

DANIEL PELCHOVITZ, CHIEF EXECUTIVE OFFICER, DIRECTOR – Mr. Pelchovitz is a leader in the vape industry as the founder and managing partner of Spyder. In addition to launching Spyder, Mr. Pelchovitz has been involved in several vape shop launches. With over seven years of vape industry experience, Mr. Pelchovitz has cultivated a loyal following of customers and built strong and lasting relationship with many of the largest manufacturers in the business. He is an active member in many of the industry's self-guided associations.

STEVEN GLASER, DIRECTOR – Mr. Glaser is a financial service executive with a diverse background in corporate finance, communications and governance for private and public companies. He is currently Chief Operating Officer and a Director at Pool Safe Inc., a company that designs, develops and distributes a product known as the "PoolSafe". From 2008 through 2017, Mr. Glaser worked in the corporate finance and investment banking arena focused on assisting late stage private and early stage public companies with strategic planning and capital raising. Prior to that, Mr. Glaser spent seven years as Vice President Corporate Affairs of Azure Dynamics Corporation. He was responsible for the company's corporate governance, its domestic and international stock exchange listings, as well as the build-out of the company's Investor Relations division. Mr. Glaser holds a Bachelor of Administrative Studies degree as well as an M.B.A. in finance.

MARK PELCHOVITZ, CHIEF FINANCIAL OFFICER, DIRECTOR - Mr. Pelchovitz is the current Chief Financial Officer of Spyder, where he manages the company's finances and plays a vital role in guiding the operations of the organization. He has served on the advisory board of a start-up in the technology space. Mr. Pelchovitz is a partner at Truster Zweig LLP where his practice focuses primarily on accounting, auditing, and tax planning in a wide range of fields, including real estate, software development, travel, professionals, and the automotive industry. His client base is comprised of owner managed businesses.

BENJAMIN LEUNG- Ben is an accountant with over 28 years of financial accounting and management experience in both private industry and public practice. He is currently the Chief Financial Officer of Cultivate Capital Corp., a company investing and operating in the cannabis and hemp industry throughout North America. Over the past 2 years, Ben has acquired strong working knowledge of this industry and was responsible for leading strategic discussions, acquisitions, budgeting, financial reporting and internal controls. Most recently, Ben was the controller, and then promoted to CFP of QE2 Acquisition corp. He served a critical role in getting the corporation listed on the TSX. His experience includes financial reporting, taxation, risk management, human resources and corporate governance. Prior to that, he was a senior manager with a Calgary based accounting firm and focused on the audit and assurance department. He has held controllership positions with publicly listed companies in the pharmaceutical, oil and gas, and manufacturing industries.

SIGNIFICANT ACCOUNTING POLICIES

New Accounting Standard Adopted

Effective February 1, 2019, the Company adopted IFRS 16, Leases (IFRS 16"), which supersedes previous accounting standards for leases, including IAS 17, Leases ("IAS 17"), and IFRIC 4, Determining whether an Arrangement Contains a Lease ("IFRIC 4"). IFRS 16 introduces a single lessee accounting model, unless the underlying asset is of low value, and requires a lessee to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company leases properties for its retail stores. Lease contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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.

The Company estimates the 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 store 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). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the lease will be extended. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

The Company has applied IFRS 16 in accordance with the modified retrospective approach only to contracts that were previously identified as leases. Contracts that were not identified as leases under previous standards were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after February 1, 2019. The Company has determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for leases under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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A Lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on the Consolidated Statements of Financial Position, as well as a decrease to operating expenses (for the removal of base rent expense for leases), an increase to depreciation (due to the depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liability). Tenant improvement allowances receivable become part of the lease liability under IFRS 16. Leasehold inducements, store closure costs and average rent adjustments are included in the calculation of right-of-use assets.

The Company did not apply IFRS 16 on a fully retrospective basis. The incremental borrowing rate applied to the lease liability on February 1, 2019 was 12%. The aggregate lease liability recognized in the Consolidated Statement of Financial Position at February 1, 2019 and the Company's operating lease commitment at February 1, 2019 is reconciled as follows:

Operating lease commitment at February 1, 2019	686,369
Effect of discounting lease commitments	<u>160,062</u>
Lease liability as at February 1, 2019	<u>\$526,307</u>

SELECTED QUARTERLY INFORMATION

The table below summarizes information reported for the most recent eight quarterly periods:

SELECTED QUARTERLY INFORMATION

	31-Jan-2020	31-Oct-19	31-Jul-19	30-Apr-19
		(\$)	(\$)	(\$)
Total assets	1,501,332	1,186,689	1,481,905	1,758,235
Total liabilities	1,613,564	964,436	1,004,300	2,535,066
Revenue	139,744	169,379	222,941	224,865
Net income (loss)	(1,255,410)	(255,363)	(389,083)	(279,313)
Income (loss) per share	(0.03)	(0.01)	(0.02)	(0.03)

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SELECTED QUARTERLY INFORMATION (CONTINUED)

	31-Jan-2019	31-Oct-18	31-Jul-18	30-Apr-18
	(\$)	(\$)	(\$)	(\$)
Total assets	1,005,381	446,403	507,991	503,069
Total liabilities	1,502,899	874,172	854,270	812,099
Revenue	260,914	275,026	241,032	194,655
Net income (loss)	(364,213)	(115,851)	(92,970)	(47,365)
Income (loss) per share	(0.04)	(0.02)	(0.01)	0.00

RESULTS OF OPERATIONS – YEAR ENDED JANUARY 31, 2020

(i) The Company had net loss of \$2,179,169 for the year ended January 31, 2020 compared to a net loss of \$620,925 for the year ended January 31, 2019. The cumulative deficit from inception of the Company is \$3,340,437 and generated operating cash deficit of \$779,394 during the year.

(ii) The Company as part of the qualifying transaction and RTO incurred listing expense of \$985,419.

(ii) Professional fees of \$318,232 for the year ended January 31, 2020 increased from \$131,573 for the year ended January 31, 2019. The increase was due to audit cost, legal counsel, investor relations activities and consulting fees.

(iii) Occupancy costs decreased for the year ending January 31, 2020 due to the adoption of IFRS 16 related to lease accounting.

(iv) Salaries and wages increased to \$427,015 in the year ending January 31, 2020 from \$293,055 in the year ending January 31, 2019 as a result of opening new locations.

(v) Finance charges decreased to \$173,873 for the year ended January 31, 2020 compared to \$195,522 for the year ending January 31, 2019. This is from the conversion of convertible debentures on the Qualifying Transaction and interest on lease liability from the adoption of IFRS 16 related to lease accounting.

(vi) The Company's cash and cash equivalents balance as of January 31, 2020 was \$127,980 versus \$481,532 as at January 31, 2019 and had working capital deficit of \$556,117 at January 31, 2020 versus a working capital of \$595,250 at January 31, 2020

(vii) Overall expenses increased to \$2,535,697 for the year ended January 31, 2020 from \$1,122,929 for the year ended January 31, 2019. Most expenses increased in the current year due to expansion efforts, raising capital and listing expense.

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SELECTED ANNUAL INFORMATION

The following operations information is the the preceding three years ended January 31,

	31-Jan-2020	31-Jan-2019	31-Jan 2018
Total assets	1,501,332	1,005,382	454,542
Total liabilities	1,613,564	1,502,900	715,289
Revenue	756,929	971,627	739,560
Net income (loss)	(2,179,169)	(620,398)	(361,925)
Income (loss) per share	(0.07)	(0.08)	(0.05)

RELATED PARTY TRANSACTIONS

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 key management. Related party transactions included in the year ended January 31, 2020 are consulting fees of \$60,000 (2019-\$0), Salaries of \$62,400 (2019-\$62,400) and loans advanced to the Company of \$247,675 (2019-\$0). A detailed description of the related party transactions can be found on note 22 to the January 31, 2020 financial statements.

LIQUIDITY/CAPITAL RESOURCES

The Company reported working capital deficit \$556,117 at January 31, 2020 versus a working capital of \$595,250 at January 31, 2020.

During the year ending January 31, 2020 the Company had reported a loss of \$2,179,169 compared to \$620,398 for the year ending January 31, 2019. The Company's ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent upon the continued financial support of its creditors, access to equity financial markets and ultimately, the attainment of profitable operations.

The Company has successfully utilized both debt and equity financing in the past, but there is no assurance that such funding will be available in the future or if it is that it will be on terms that are acceptable. If the Company requires additional capital and it is unable to obtain acceptable financing, it will experience liquidity issues and management expects that it will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Any additional equity financing may involve substantial dilution.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, GST receivables, due to related parties, accounts payable, bank loans and accrued expenses and loan payable. The carrying value of these financial

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instruments is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

(a) Market risk:

The Company's financial instruments are exposed to a number of financial and market risks, including credit and liquidity risk. The Company does not currently have in place hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size and pattern of operations would warrant such hedging activities. The Company evaluates the key risks on an ongoing basis and has established policies and procedures to mitigate such risks.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company monitors its risk of shortage of funds by monitoring the maturity dates of accounts payable and accrued liabilities and due to related parties.

(c) Foreign currency risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

(d) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have significant exposure to interest rate fluctuation.

(e) Equity rate risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings.

(f) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. The total gross exposure as at January 31, 2019 is not significant.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience

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and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net and/or comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

(i) Compound financial instruments

Compound financial instruments often issued by the Company comprise convertible secured subordinate debentures that can be converted to common shares at the option of the holder, 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.

(ii) Income taxes

The Company has not recognized a deferred tax asset as management believe it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.

(iii) Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions 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 stock option, volatility and dividend yield and making assumptions about them.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying amounts of cash, GIC's, GST/HST receivables, accounts payable and accrued liabilities and loan payable approximate fair value because of the short-term maturity of these items.

OTHER MD&A REQUIREMENTS

**SPYDER CANNABIS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JANUARY 31, 2020**

DISCLOSURE OF OUTSTANDING SHARE DATA

Summary of Outstanding Share Data as of January 31, 2020:

- i. Authorized and issued share capital:

Class	Par Value	Authorized	Issued and Outstanding	
			2020	2019
Common	Nil	Unlimited	43,219,177	8,092,493

- ii. There were 3,851,400 stock options outstanding as of January 31, 2020 (January 31, 2019- 2,000,000).
- iii. Total stock-based compensation recorded during the year January 31, 2020 was \$0 (January 31, 2019 - \$119,379)

SUBSEQUENT EVENTS

- On May 5, 2020 the Company announced that it received a Conditional Cannabis License from the City of Alberta, located at 104-58th Avenue, SE, Calgary, Alberta
- On May 12, 2020 the Company announced that it had received a Cannabis Retail Operator's License ("ROL") for the Province of Ontario.
- On June 28, 2020 the Company received its Cannabis Retail Authorization located at 6474 Lundy's Lane, Niagara Falls, Ontario.

ADDITIONAL INFORMATION

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.