Delota Corp.

Consolidated Financial Statements

For the Fourteen Months Ended March 31, 2025 and the Twelve Months Ended January 31, 2024

(Expressed in Canadian Dollars)

Delota Corp.
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Horizon
Assurance LLP

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Delota Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Delota Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2025, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for the fourteen months then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2025, and its financial performance and its cash flows for the fourteen months ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the consolidated financial statements, which indicates that as of March 31, 2025, the Company's current liabilities exceeded its current assets. 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.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Assessment of Intangible Assets

Description of the Matter

As disclosed in Note 6 to the consolidated financial statements, the Company's intangible assets include trade name, website and ERP, and intangible assets in progress, with a carrying amount of $3,128,999 as at March 31, 2025. We identified the impairment assessment of intangible assets as a key audit matter due to the significant judgment involved in estimating the recoverable amount. Management's assessment requires complex valuation models, which incorporate significant assumptions, including future cash flow projections, discount rates, and growth rates. Small changes in these assumptions could have a material impact on the valuation results and, consequently, the financial statements.

Audit Response

The following, among others, are the primary procedures we performed to address this key audit matter:

- We evaluated the methodology used by management to estimate the recoverable amount, including whether it was consistent with the requirements of IAS 36;
- We testing the mathematical accuracy of the underlying impairment models;
- We assessed the reasonableness of key assumptions, such as projected growth rates and cash flows, by comparing them to the Company's historical and subsequent performance, along with current industry, market, and economic trends;
- We performed sensitivity analysis to assess the impact of changes in key assumptions;
- We developed an independent expectation of recoverable amount to assess the reasonableness of management's amount.

Other Matter

The consolidated financial statements of the Company for the twelve months ended January 31, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on May 30, 2024.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis for the fourteen months ended March 31, 2025, which we obtained prior to the date of this auditor’s report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of 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 Consolidated 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 consolidated 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Julia Zhou.

Horizon Assurance LLP

July 29, 2025	**Chartered Professional Accountant**
Markham, Ontario	**Licensed Public Accountant**

Delota Corp.
Consolidated Statements of Financial Position
As at March 31, 2025 and January 31, 2024
(Expressed in Canadian Dollars)

	Notes	**March 31, 2025 $**	January 31, 2024 $
ASSETS			
Current assets			
Cash		**2,934,022**	1,753,355
Accounts receivable		**1,444,348**	1,501,702
Inventory	*5*	**3,114,897**	2,509,102
Prepaid expenses		**296,554**	211,398
Net investment in sublease - current portion	*8*	**76,222**	38,904
Total current assets		**7,866,043**	6,014,461
Non-current assets			
Intangible assets	*6*	**481,666**	401,415
Intangible assets - trade name	*6*	**2,647,333**	2,928,111
Property and equipment	*7*	**576,278**	695,101
Net investment in sublease	*8*	**329,455**	256,660
Right-of-use assets	*8*	**3,323,790**	3,439,981
Total non-current assets		**7,358,522**	7,721,268
Total assets		**15,224,565**	13,735,729
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	*9*	**5,460,165**	4,630,018
Lease liabilities	*10*	**1,260,114**	1,059,713
Contract liability	*11*	**390,276**	310,154
Government loan	*13*	**254,367**	240,395
Convertible debentures	*17*	**819,355**	-
Derivative liabilities	*19*	**31,029**	-
Loans payable	*12, 20*	**453,029**	545,379
Total current liabilities		**8,668,335**	6,785,659
Non-current liabilities			
Lease liabilities	*10*	**3,940,432**	4,133,373
Contract liability	*11*	**203,339**	128,283
Derivative liabilities	*19*	**387,054**	1,408,712
Convertible debentures	*17*	**-**	119,355
Deferred tax liability	*21*	**701,544**	775,949
Total non-current liabilities		**5,232,369**	6,565,672
Total liabilities		**13,900,704**	13,351,331
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	*14*	**7,832,560**	7,592,481
Warrant reserve		**99,398**	99,398
Contributed surplus		**507,513**	507,005
Accumulated deficit		**(7,115,610)**	(7,814,486)
Total shareholders' equity		**1,323,861**	384,398
Total liabilities and shareholders' equity		**15,224,565**	13,735,729

Nature of Operations and Going Concern (Note 1)
Related Party Transactions (Note 20)
Subsequent Events (Note 24)

Approved on behalf of the Board of Directors:

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

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

Delota Corp.
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Fourteen Months Ended March 31, 2025 and the Twelve Months Ended January 31, 2024
(Expressed in Canadian Dollars)

	Notes	Fourteen Months Ended March 31, 2025 $	Twelve Months Ended January 31, 2024 $
Revenue	*23*	**46,564,733**	34,069,680
Cost of goods sold	*5*	**28,679,514**	20,448,586
Gross profit		**17,885,219**	13,621,094
Salaries and wages		**7,470,688**	6,661,962
Office and general		**2,650,564**	1,952,317
Delivery		**2,599,198**	1,175,163
Rent and utilities		**909,105**	980,702
Professional fees		**543,705**	326,136
Insurance		**297,161**	383,450
Advertising and promotion		**180,064**	130,273
Repairs and maintenance		**116,558**	54,279
Stock-based compensation	*15*	**11,837**	218,981
Foreign exchange loss		**28,694**	33,394
Depreciation	*7*	**252,823**	274,339
Depreciation of right-of-use assets	*8*	**1,234,872**	1,245,055
Amortization	*6*	**70,357**	60,425
Interest on loans payable	*12, 13, 17*	**255,635**	110,017
Interest on lease liabilities	*10*	**784,230**	728,793
Total expenses		**17,405,491**	14,335,286
Income (loss) from operations		**479,728**	(714,192)
Other income		**181,183**	72,397
Accretion	*13, 17*	**(700,000)**	(220,475)
Remeasurement of right-of-use assets	*8*	**(46,291)**	(387,204)
Fair value adjustment of derivative liabilities	*19*	**990,629**	(566,212)
Amortization of intangible assets - trade name	*6*	**(280,778)**	(240,667)
Income (loss) before income tax recovery		**624,471**	(2,056,353)
Deferred tax recovery		**74,405**	63,777
Net income (loss) and comprehensive income (loss)		**698,876**	(1,992,576)
Earnings (loss) per share - basic		**0.02**	(0.07)
Weighted average number of shares outstanding - basic		**29,053,145**	27,163,807
Earnings (loss) per share - diluted		**0.02**	(0.07)
Weighted average number of shares outstanding - diluted		**29,053,145**	27,163,807

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

Delota Corp.

Consolidated Statements of Changes in Shareholders' Equity

For the Fourteen Months Ended March 31, 2025 and the Twelve Months Ended January 31, 2024
(Expressed in Canadian Dollars)

	Notes	Number of Common Shares #	Share Capital $	Contributed Surplus $	Warrant Reserve $	Accumulated Deficit $	Shareholders' Equity $
Balance, January 31, 2023		**26,809,615**	**7,528,481**	**352,024**	**99,398**	**(5,821,910)**	**2,157,993**
Issuance of stock options and restricted share units	*16*	-	-	218,981	-	-	218,981
Common shares issued pursuant to grant of restricted share units	*15,16*	640,000	64,000	(64,000)	-	-	-
Net loss for the period		-	-	-	-	(1,992,576)	(1,992,576)
Balance, January 31, 2024		**27,449,615**	**7,592,481**	**507,005**	**99,398**	**(7,814,486)**	**384,398**
Balance, January 31, 2024		**27,449,615**	**7,592,481**	**507,005**	**99,398**	**(7,814,486)**	**384,398**
Issuance and vesting of stock options	*16*	-	-	11,837	-	-	11,837
Units issued for settlement of debt	*15,16*	1,535,715	215,000	-	-	-	215,000
Common shares issued pursuant to exercise of stock options	*15,16*	125,000	25,079	(11,329)	-	-	13,750
Net income for the period		-	-	-	-	698,876	698,876
Balance, March 31, 2025		**29,110,330**	**7,832,560**	**507,513**	**99,398**	**(7,115,610)**	**1,323,861**

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

Delota Corp.
Consolidated Statements of Cash Flows
For the Fourteen Months Ended March 31, 2025 and the Twelve Months Ended January 31, 2024
(Expressed in Canadian Dollars)

	March 31, 2025 $	January 31, 2024 $
Operating activities		
Net income (loss) for the period	**698,876**	(1,992,576)
Items not requiring an outlay of cash:		
Accretion	**700,000**	220,475
Stock-based compensation	**11,837**	218,981
Deferred tax recovery	**(74,405)**	(63,777)
Depreciation	**252,823**	274,339
Depreciation of right-of-use assets	**1,234,872**	1,245,055
Remeasurement of right-of-use assets	**46,291**	387,204
Amortization of intangible assets - trade name	**280,778**	240,667
Amortization	**70,357**	60,425
Interest on lease liabilities	**784,230**	728,793
Fair value adjustment of derivative liabilities	**(990,629)**	566,212
Interest expense	**85,023**	55,954
Finance income	**(63,398)**	(13,142)
Change in non-cash working capital:		
Accounts receivable	**57,354**	115,606
Inventory	**(605,795)**	(674,138)
Prepaid expenses	**(85,156)**	60,290
Contract liability	**155,178**	26,879
Trade and other payables	**964,095**	206,028
Cash flows provided by operating activities	**3,522,331**	1,663,275
Financing activities		
Proceeds from loans payable	**-**	48,000
Repayments of loans payable	**(92,350)**	(131,507)
Issuance of convertible debenture	**-**	900,000
Repayment of government loan	**-**	(40,000)
Debt issuance costs	**-**	(57,500)
Rent received	**122,519**	2,750
Proceeds from exercise of stock options	**13,750**	-
Lease payments	**(2,100,976)**	(1,793,657)
Cash flows used in financing activities	**(2,057,057)**	(1,071,914)
Investing activities		
Purchase of intangible assets	**(150,608)**	(101,838)
Purchase of property and equipment	**(133,999)**	(7,650)
Cash flows used in investing activities	**(284,607)**	(109,488)
Increase in cash during the period	**1,180,667**	481,873
Cash, beginning of period	**1,753,355**	1,271,482
Cash, end of period	**2,934,022**	1,753,355
Cash paid for:		
Interest	**170,584**	54,467
Taxes	**-**	-

Non-cash transactions affecting cash flows from financing and investing activities (Note 22)

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

1. Nature of Operations and Going Concern

Delota Corp. ("Delota" or the "Company") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on February 20, 2014. The Company's common shares currently trade on the Canadian Securities Exchange ("CSE") under the symbol "NIC" and on the Frankfurt Stock Exchange under the symbol "S62". The Company's corporate and registered office is 7941 Jane Street, Unit 2, Concord, Ontario, L4K 2M7.

The Company is a nicotine vape enterprise that spearheads the smoke-free revolution in Canada, catering to adult consumers seeking alternatives to traditional combustible tobacco. With a strong emphasis on delivering exceptional retail experiences and carefully curated product offerings, the Company is dedicated to redefining the way people transition away from smoking. The Company's flagship brand, 180 Smoke Vape Store, stands as Ontario's largest omni-channel specialty vape retailer, fueling innovation, growth, and leadership in the nicotine vape and alternative tobacco sector. The Company currently operates 32 brick-and-mortar specialty vape stores in Ontario under the 180 Smoke Vape Store brand, a leading national e-commerce platform www.180smoke.ca, and three licenced dispensaries in Ontario under the Offside Cannabis brand.

These consolidated financial statements of the Company have been prepared on a going concern basis which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the fourteen months ended March 31, 2025, the Company had net income in the amount of $698,876 (twelve months ended January 31, 2024 – net loss of $1,992,576), had an accumulated deficit of $7,115,610 as at March 31, 2025 (January 31, 2024 – $7,814,486), and had a working capital deficiency of $802,292 as at March 31, 2025 (January 31, 2024 – $771,198). As such, there is material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent on the Company receiving sufficient funding to support its operations. The Company intends to finance its future requirements through a combination of debt or equity financings. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These material uncertainties cast significant doubt as to the Company's ability to continue as a going concern.

As at March 31, 2025 and January 31, 2024, these consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Preparation

a) Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect as at March 31, 2025.

2. Basis of Preparation (continued)

a) Statement of Compliance (continued)

These consolidated financial statements were authorized for issuance by the Company's Audit Committee and its Board of Directors on July 29, 2025.

b) Basis of Measurement

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

c) Functional and Presentation Currency

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

d) Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: 2360149 Ontario Inc. and its wholly-owned subsidiaries: 420 Wellness Inc. and 180 Smoke LLC; 2766563 Ontario Inc.; 2488004 Ontario Inc.; 1000712645 Ontario Inc.; 180 VFC Inc.; and Spyder Cannabis Subco Inc. and its wholly-owned subsidiaries: Spyder Vapes Inc., Spyder Vapes (East) Inc., Spyder Vapes (Appleby) Inc., and The Green Spyder Inc. and its wholly-owned subsidiaries: The Green Spyder (Pickering) Inc., The Green Spyder (Lundy's) Inc. and The Green Spyder IP Inc. All inter-company transactions, balances and unrealized gains and losses on transactions between these subsidiaries are eliminated upon consolidation.

e) Use of Estimates and Judgements

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

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

3. Material Accounting Policies

IFRS requires management to exercise judgement and make estimates and assumptions that impact the carrying amounts of certain assets and liabilities, as well as the reported income and expenses during the reporting period. Actual outcomes may differ from the judgements, estimates and assumptions.

This section outlines the material accounting policies that affect the consolidated financial statements, along with accounting estimates and significant judgements. All significant changes in accounting policies, new accounting standards adopted during the current year, and upcoming accounting pronouncements which are not yet effective but are expected to affect the Company's consolidated financial statements in the future.

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

Cash

Cash includes cash on hand, balances held in trust by legal counsel, cash deposits in financial institutions and other short-term deposits that are readily convertible into cash. Short-term deposits with maturity dates greater than 90 days are classified as short-term investments.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs are comprised of variable costs, and fixed costs, incurred in bringing inventory to the location and in a condition necessary for sale to customers. Storage and administrative overhead are expensed as incurred. Supplier rebates and discounts are recorded as a reduction in the cost of goods sold.

Foreign currency translation

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

3. Material Accounting Policies (continued)

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the expected service periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Valuation models such as Black-Scholes-Merton are used to measure the fair value of the instruments issued when there are sufficient and reliable observable market inputs. The offset to the recorded cost is applied to contributed surplus. Consideration received on the exercise of stock options and the related contributed surplus is recorded as share capital and the related contributed surplus is transferred to share capital.

Convertible Debentures

The Company's convertible debentures are segregated into their debt and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreements.

The conversion feature of the convertible debentures is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument under IAS 32, Financial Instruments: Presentation. One of the criteria is that the conversion option exchanges a fixed number of shares for a fixed amount of cash ("fixed for fixed").

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

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

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

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

Derivative liabilities

Derivatives liabilities are measured at fair value through profit and loss at initial recognition and subsequent measurement.

3. Material Accounting Policies (continued)

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is provided using the following methods at rates intended to depreciate the costs of the assets over their estimated use lives:

Asset	Method	Rate
Furniture and equipment	Declining balance	20%
Plant and machinery	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	Lease term
Automobile	Declining balance	30%
Website and signs	Straight-line	2 years

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

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

Other subsequent expenditures are capitalized if future economic benefits will arise from the expenditure. All other expenditures, including repairs and maintenance, are recognized in the consolidated statements of operations and comprehensive income (loss).

Provisions

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event; and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of net income (loss) and comprehensive income (loss), net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3. Material Accounting Policies (continued)

Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets acquired are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of net income (loss) and comprehensive income (loss). Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually or more frequently when circumstances indicate that the carrying value may not be recoverable.

Asset type	Amortization method	Amortization term
Website and ERP	Straight-line	10 years
Trade name	Straight-line	15 years

Estimated useful life of an intangible asset is the lesser of the economic life of the intangible asset and the number of years the right is legally enforceable. The estimated useful life, residual value and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets in progress are not amortized until they are complete and placed in use. Following initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Leases

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

3. Material Accounting Policies (continued)

Leases (continued)

When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable prices for a similar asset and/or service.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in selling, distribution and administrative expenses as incurred. Lease incentives received for variable payment leases are deferred and amortized as a reduction in recognized variable rent expenses over the term of the related leases.

Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

Net investment in sublease

In sublease arrangements where the Company is the intermediate lessor, it determines whether the sublease is finance or operating by reference to the right-of-use asset. A sublease is a finance sublease if substantially all of the risks and rewards of the head lease right-of-use asset have been transferred to the sub-lessee and the Company accounts for the sublease as two separate contracts. The Company derecognizes the right-of-use asset corresponding to the head lease and records a net investment in the finance sublease with corresponding interest income recognized in finance income in the consolidated statements of operations and comprehensive income (loss) and a net investment receivable recognized in trade and other receivables or a net investment payable in accounts payable and accrued liabilities in the consolidated statements of financial position.

Equity

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total equity.

The Company has adopted a residual method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued based on the fair value of the warrants using the Black-Scholes-Merton option pricing model and the share price at the time of financing, and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares. The proceeds from the issue of units are allocated between share capital and warrant reserve.

3. Material Accounting Policies (continued)

Earnings (loss) per common share

Basic earnings (loss) per common share is computed by dividing the net income (loss) for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings (loss) per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

Revenue from contracts with customers

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

The Company records revenue in accordance with the five steps as outlined below:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation.

The Company's revenue consists of sales from its retail stores and e-commerce operations through the delivery of products and/or rendering of services. For retail store customers, control passes upon point of sale, and for e-commerce customers, control passes upon delivery. Revenue from the sale of goods is measured at the fair value of the consideration received less an appropriate deduction for returns, discounts, rebates, and loyalty program costs, net of sales taxes. The Company sells products with a limited right to return. The provision for returns is estimated based on the last 12 month's return rate for retail stores and e-commerce sales, respectively.

Cost of goods sold

Cost of goods sold expense relates to the Company's retail and e-commerce operations, and includes direct materials, direct labor, and shipping and handling related to the sale of goods.

3. Material Accounting Policies (continued)

Impairment of non-financial assets

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

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

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

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

Income taxes

Tax expense is comprised of current and deferred tax. Tax is recognized in the consolidated statements of operations and comprehensive income (loss) except to the extent that it relates to items recognized in comprehensive loss or equity in the consolidated statements of financial position. During the periods ended March 31, 2025 and January 31, 2024, the Company only had deferred tax recovery recorded in the consolidated statements of operations and comprehensive income (loss).

Current tax

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

3. Material Accounting Policies (continued)

Income taxes (continued)

Deferred tax

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

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

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible balances can be utilized. All deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that the asset will be recovered.

Financial instruments

Financial assets

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

Financial assets at FVTPL

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

Financial assets at FVTOCI

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

3. Material Accounting Policies (continued)

Financial instruments (continued)

Financial assets at amortized cost

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

Financial liabilities

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

The Company has made the following classifications of its financial instruments:

Financial instrument	Classification
Cash	FVTPL
Accounts receivable	Amortized cost
Trade and other payables	Amortized cost
Derivative liabilities	FVTPL
Convertible debentures	Amortized cost
Government loan	Amortized cost
Contract liability	Amortized cost
Loans payable	Amortized cost
Promissory note	Amortized cost

Impairment

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

3. Material Accounting Policies (continued)

Adoption of New Accounting Pronouncements

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

Amendments to IFRS 16: Leases

This amendment clarifies how a seller-lessee measures sale and leaseback transactions that satisfy the requirements in IFRS 15- Revenue from Contracts with Customers ensure the seller-lessee does not recognize any amount of the gain or loss that related to the right of use it retains that is effective for annual periods beginning on or after January 1, 2024. The Company has adopted the amendments effective February 1, 2024 and it did not impact the classification of current or non-current liabilities.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2024. The Company has applied the amendments effective February 1, 2024 and it did not impact the classification of current or non-current liabilities.

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

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

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18, Presentation and Disclosures in Financial Statements, replaces IAS 1, Presentation of Financial Statements for reporting periods beginning on or after January 1, 2027, including for interim financial statements with retrospective application. IFRS 18, introduces a specified structure for the income statement by requiring income and expenses to be presented into the three defined categories of operating, investing and financing, and by specifying certain defined totals and subtotals. Where company-specific measures related to the income statement are provided, IFRS 18 requires companies to disclose explanations around these measures, which are referred to as management defined performance measures. IFRS 18 also provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes. IFRS 18 will not affect the recognition and measurement of items in the financial statements, nor will it affect which items are classified in other comprehensive income and how these items are classified. The Company is currently assessing the effect of this new standard on its financial statements.

3. Material Accounting Policies (continued)

New standards not yet adopted and interpretations issued but not yet effective (continued)

Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures, relating to the classification and measurement requirements of financial instruments recognized within those standards. These amendments clarify that a financial liability is to be derecognized on the 'settlement date' and introduces an accounting policy to derecognize financial liabilities settled through an electronic payment system before settlement date if certain conditions are met. Also, it requires additional disclosures for financial assets and liabilities with contractual terms that reference a contingent event and equity instruments classified at fair value through other comprehensive income. These amendments will be effective for annual periods beginning on or after January 1, 2026 and will be applied retrospectively with an adjustment to opening retained earnings. Prior periods will not be required to be restated and can only be restated without using hindsight. The Company is currently assessing the effect of this new standard on its financial statements.

4. Use of Judgements and Estimates

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

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

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

Estimates and judgements

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

4. Use of Judgements and Estimates (continued)

Inventory valuation

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

Share-based compensation

Estimating fair value for granted stock options and warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and assumptions of these inputs.

Carrying values of tangible assets, and definite life intangible assets

The Company assesses the carrying value of its tangible assets and definite life intangible assets annually or more frequently if indicators of impairment exist. If it is determined that carrying values of these assets cannot be recovered, the unrecoverable amounts are charged against the current period net income (loss). Recoverability is dependent upon assumptions and judgements regarding market conditions, costs of operations and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates and future cash flows. A material change in assumptions may significantly impact the potential impairment of these assets.

Contingencies

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

Income taxes

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

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

4. Use of Judgements and Estimates (continued)

Leases

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

Deferred tax assets and liabilities

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

Assessment of revenues

Management assesses which contracts occur at a point in time, over a period of time, and based on usage and royalties. Judgement is required on revenues recorded over a period of time. Royalty, service fee, and license fee revenues from franchisees of the Company are recognized over a period of time as they are earned in accordance with the substance of the relevant agreement.

Carrying values of goodwill and other indefinite-life intangible assets

The values associated with goodwill and other indefinite-life intangible assets involve significant estimates and assumptions, including those with respect to the determination of cash generating units ("CGUs"), future cash inflows and outflows, discount rates and useful asset lives. At least annually, the carrying amount of goodwill and other indefinite-life intangible assets are reviewed for potential impairment. Among other things, this review considers the recoverable amounts of the CGUs based on the higher of value in use or fair value less costs of disposal using discounted estimated future cash flows. These significant estimates require considerable judgement which could affect the Company's future results if the current estimates of future performance and fair value change.

(Expressed in Canadian Dollars)

4. Use of Judgements and Estimates (continued)

Derivative liabilities

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

Going concern assumption

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

5. Inventory

As at March 31, 2025 and January 31, 2024, the Company's inventory is comprised of the following:

	March 31, 2025 $	January 31, 2024 $
Raw materials	**130,725**	165,528
Work-in-progress	**8,757**	-
Finished goods	**2,975,415**	2,343,574
Balance	**3,114,897**	2,509,102

During the fourteen months ended March 31, 2025, inventory expensed to cost of goods sold amounted to $28,679,514 (twelve months ended January 31, 2024 – $20,448,586).

(Expressed in Canadian Dollars)

6. Intangible Assets

The Company's intangible assets include the costs to develop its website and enterprise resource planning software, as well as a trade name. Changes to the intangible assets balance during the periods ended March 31, 2025 and January 31, 2024 consist of the following:

	Website and ERP	Intangible assets in progress	Trade name	Total
	$	$	$	$
Cost:				
As at January 31, 2023	**471,251**	**-**	**3,610,000**	**4,081,251**
Additions	-	101,838	-	101,838
As at January 31, 2024	**471,251**	**101,838**	**3,610,000**	**4,183,089**
Additions	-	150,608	-	150,608
As at March 31, 2025	**471,251**	**252,446**	**3,610,000**	**4,333,697**
Accumulated amortization:				
As at January 31, 2023	**111,249**	**-**	**441,222**	**552,471**
Amortization	60,425	-	240,667	301,092
As at January 31, 2024	**171,674**	**-**	**681,889**	**853,563**
Amortization	70,357	-	280,778	351,135
As at March 31, 2025	**242,031**	**-**	**962,667**	**1,204,698**
Carrying amount:				
As at January 31, 2024	**299,577**	**101,838**	**2,928,111**	**3,329,526**
As at March 31, 2025	**229,220**	**252,446**	**2,647,333**	**3,128,999**

During the fourteen months ended March 31, 2025, the Company recorded amortization expense related to the website and ERP software in the amount of $70,357 (twelve months ended January 31, 2024 – $60,425) and trade name in the amount of $280,778 (twelve months ended January 31, 2024 – $240,667).

(Expressed in Canadian Dollars)

7. Property and Equipment

Property and equipment is comprised of the following:

	Furniture and equipment	Plant and machinery	Computer equipment	Leasehold improvements	Signs and automobile	Total
	$	$	$	$	$	$
Cost						
As at January 31, 2023	**391,342**	**34,226**	**49,804**	**1,181,494**	**52,606**	**1,709,472**
Additions	4,500	-	-	-	3,150	7,650
Disposals	-	-	-	-	-	-
As at January 31, 2024	**395,842**	**34,226**	**49,804**	**1,181,494**	**55,756**	**1,717,122**
Additions	57,732	-	1,493	74,774	-	133,999
Disposals	-	-	-	-	-	-
As at March 31, 2025	**453,574**	**34,226**	**51,297**	**1,256,268**	**55,756**	**1,851,121**
Accumulated depreciation						
As at January 31, 2023	**122,730**	**11,091**	**35,529**	**533,204**	**45,128**	**747,682**
Depreciation	48,171	6,240	6,738	206,570	6,620	274,339
Disposals	-	-	-	-	-	-
As at January 31, 2024	**170,901**	**17,331**	**42,267**	**739,774**	**51,748**	**1,022,021**
Depreciation	55,609	7,266	2,759	184,473	2,716	252,823
Disposals	-	-	-	-	-	-
As at March 31, 2025	**226,510**	**24,597**	**45,026**	**924,247**	**54,464**	**1,274,844**
Net book value ($)						
As at January 31, 2024	**224,941**	**16,895**	**7,537**	**441,720**	**4,008**	**695,101**
As at March 31, 2025	**227,064**	**9,629**	**6,271**	**332,021**	**1,292**	**576,278**

During the fourteen months ended March 31, 2025, the Company recorded depreciation expense related to property and equipment in the amount of $252,823 (twelve months ended January 31, 2024 – $274,339).

8. Right-of-use Assets

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

	$
Balance, January 31, 2023	**5,294,370**
Additions during the period	76,678
Disposals during the period	-
Derecognition upon entering into sublease	(686,012)
Depreciation during the period	(1,245,055)
Balance, January 31, 2024	**3,439,981**
Additions during the period	1,324,206
Disposals during the period	-
Derecognition upon entering into sublease	(205,525)
Depreciation during the period	(1,234,872)
Balance, March 31, 2025	**3,323,790**

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

(Expressed in Canadian Dollars)

8. Right-of-use Assets (continued)

Net investment in sublease

During the fourteen months ended March 31, 2025, the Company entered into sublease arrangements for one of its leased premises. This resulted in a derecognition of the right-of-use assets related to these leased premises in the amount of $205,525 and the recognition of a net investment in sublease in the amount of $159,234.

During the twelve months ended January 31, 2024, the Company entered into sublease arrangements for two of its leased premises. This resulted in a derecognition of the right-of-use assets related to these leased premises in the amount of $686,012 and the recognition of a net investment in sublease in the amount of $298,808 during the twelve months ended January 31, 2024.

The Company received deposits in the amount of $26,224 from three subleases in relation to the lease payments for the last two months of the lease term. This amount has been included in trade and other payables on the consolidated statements of financial position.

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

	March 31, 2025
	$
Less than one year	132,316
One to two years	138,316
Two to three years	144,316
Three to four years	101,066
Four to five years	24,408
More than five years	-
Total undiscounted lease receivable	**540,422**
Unearned finance income	134,745
Net investment in the lease	**405,677**

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

	March 31, 2025	January 31, 2024
Net investment in the lease analysed as:	**$**	$
Current portion	**76,222**	38,904
Long-term	**329,455**	256,660
Balance	**405,677**	295,564

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

(Expressed in Canadian Dollars)

8. Right-of-use Assets (continued)

The Company recorded a revaluation gain on its leases during the fourteen months ended March 31, 2025 in the amount of $46,291 (twelve months ended January 31, 2024 – $387,204), which has been recorded in the consolidated statements of operations and comprehensive income (loss).

9. Trade and Other Payables

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

	March 31, 2025 $	January 31, 2024 $
Accounts payable and accrued liabilities	**2,973,669**	3,738,452
Sales tax payable	**2,301,495**	753,939
Excise tax payable	**185,001**	137,627
Balance	**5,460,165**	4,630,018

Included in accounts payable and accrued liabilities is interest payable on loans payable (Note 12).

10. Lease Liabilities

The Company has entered into various long-term lease agreements. At the commencement date of each lease, the lease liability was measured at the present value of the lease payments that have not been paid. These lease payments are discounted by the Company's specific business unit's incremental borrowing rate. The following represents the Company's lease obligations as at March 31, 2025:

	$
Balance, January 31, 2023	**6,181,272**
Additions during the period	76,678
Interest expense	728,793
Lease payments	(1,793,657)
Balance, January 31, 2024	**5,193,086**
Additions during the period	1,324,206
Interest expense	784,230
Lease payments	(2,100,976)
Balance, March 31, 2025	**5,200,546**

(Expressed in Canadian Dollars)

10. Lease Liabilities (continued)

Summary:

	March 31, 2025 $	January 31, 2024 $
Current portion of lease liabilities	**1,260,114**	1,059,713
Non-current lease liabilities	**3,940,432**	4,133,373
Balance	**5,200,546**	5,193,086

The Company has commitments relating to operating leases for its retail locations under its non-cancelable operating leases. The future minimal annual undiscounted rental payments under these operating leases as at March 31, 2025 are as follows:

One year	$ 1,843,769
Between two to five years	$ 4,711,657
More than five years	$ -

11. Contract Liability

Contract liability relates to deferred revenue consisting of loyalty programs, franchise fee revenue, and service fee revenue. As at March 31, 2025, this contract liability amounted to $593,615 (January 31, 2024 – $438,437). The Company received advanced payments from customers in the amount of $632,436 (January 31, 2024 – $473,444) and recognized performance obligations in the amount of $477,258 (January 31, 2024 – $446,565) during the fourteen months ended March 31, 2025. The current portion of this contract liability amounted to $390,276 and the long-term portion of this contract liability amounted to $203,339 (January 31, 2024 – $310,154 and $128,283, respectively) as on March 31, 2025. Details of the Company's contract liability is noted as follows:

	$
Balance, January 31, 2023	**411,558**
Additions during the period	473,444
Revenue recognized from contract liability	(446,565)
Balance, January 31, 2024	**438,437**
Additions during the period	632,436
Revenue recognized from contract liability	(477,258)
Balance, March 31, 2025	**593,615**

(Expressed in Canadian Dollars)

12. Loans Payable

Loans payable are comprised of the following:

	March 31, 2025 $	January 31, 2024 $
Operating facility, interest bearing at 15% per annum, secured and due on demand.	**130,780**	160,780
Loan facility, interest bearing at 21.70% per annum, secured and due on demand. This is a non-arms length promissory note payable to a corporation controlled by the CEO of the Company (Note 20).	**75,000**	100,000
Promissory note, unsecured, interest bearing at 12% per annum and due on demand. This is a non-arms length promissory note payable to the chairman of the Company (Note 20).	**26,800**	26,800
Promissory note, unsecured, interest bearing at 24% per annum and due on demand. This is a non-arms length promissory note payable to a family member of the chairman of the Company (Note 20).	**-**	22,350
Promissory note, unsecured, interest bearing at 12% per annum and due on demand. This is a non-arms length promissory note payable to a family member of the chairman of the Company (Note 20).	**25,000**	25,000
Promissory note, secured, interest bearing at 21.70% per annum and due on demand. This is a non-arms length promissory note payable to a family member of the chairman of the Company (Note 20).	**176,449**	176,449
Promissory note, non-interest bearing and due on demand. This is a non-arms length promissory note payable to the chairman of the Company (Note 20).	**19,000**	34,000
Balance	**453,029**	545,379

Interest expense on loans payable amounted to $115,635 (twelve months ended January 31, 2024 – $96,848) during the fourteen months ended March 31, 2025.

As at March 31, 2025, interest payable on these loans amounted to $304,712 (January 31, 2024 – $249,004 which has been included in trade and other payables on the consolidated statements of financial position. As noted above, loans payables include amounts due to non-arm's length parties (Note 20).

During the fourteen months ended March 31, 2025, the Company:

- repaid an outstanding promissory note in the principal amount of $22,350. This non-arms' length promissory note was payable to a family member of the chair of the Company, interest bearing at 24% per annum and was due on demand;
- made repayments towards an outstanding promissory note in the principal amount of $30,000. This promissory note is with a third-party, interest bearing at 15% per annum and is due on demand;
- made repayments to an outstanding loan facility in the principal amount of $25,000. This is a non-arms' length promissory note payable to the CEO of the Company, interest bearing at 21.70% per annum and is due on demand; and
- made repayments to an outstanding related party loan noted above in the principal amount of $15,000. This non-arms' length loan is payable to the chairman of the Company, is non-interest bearing, and due on demand.

13. Government Loan

During the year ended January 31, 2021, the Company obtained an aggregate of $300,000 in loans under the Canada Emergency Business Account (collectively, the "CEBA Loans"). The CEBA Loans were granted in the form of an interest-free revolving line of credit. If two-thirds of the outstanding CEBA Loans were paid on or before January 18, 2024, the remaining one-third would be forgiven. The Company discounted the CEBA Loans during the interest-free loan period at the Company's specific business unit's incremental borrowing rate. During the twelve months ended January 31, 2024, the Company repaid one of the five CEBA Loans in the amount of $40,000 and qualified for $20,000 in loan forgiveness. The remaining four CEBA Loans, totaling $160,000, along with $80,000 in unqualified loan forgiveness, were converted into interest-bearing loans at an annual interest rate of 5%.

During the fourteen months ended March 31, 2025, the Company recorded interest expense on the CEBA Loans in the amount of $13,972 (twelve months ended January 31, 2024 – $395), which has been recorded as part of the aggregate CEBA Loan balance. Accretion expense on the CEBA Loans during the fourteen months ended March 31, 2025 amounted to $nil (twelve months ended January 31, 2024 – $21,120). As at March 31, 2025, the CEBA Loans amounted to $254,367 (January 31, 2024 – $240,395).

14. Share Capital

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

During the fourteen months ended March 31, 2025, the Company had the following common share transactions:

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

  The Company applies the residual value method with respect to the valuation of warrants issued as a part of the debt settlement. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the attached warrants. As a result, no value was assigned to the warrants as, under the residual value method, the fair value of the shares was equal to the price per Settlement Unit (Note 16); and

- On June 12, 2024, an employee of the Company exercised 125,000 stock options at an exercise price of $0.11 per share, resulting in the issuance of 125,000 common shares (Note 15 (a)). As a result of the option exercise, $11,329 was reclassified from contributed surplus to share capital.

14. Share Capital (continued)

During the twelve months ended January 31, 2024, the Company had the following common share transactions.

- On July 10, 2023 and in connection with the grant of RSUs (Note 15 (b)), the Company issued 640,000 common shares at a value of $0.10 per share to certain directors, officers, employees, and consultants of the Company.

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

As at March 31, 2025 and January 31, 2024, no preferred shares were issued and outstanding.

15. Share-based Payments

The Company has an omnibus incentive plan (the "Omnibus Plan") under which the board of directors may from time to time, in its discretion, grant non-transferable stock options ("Options") and restricted share units ("RSUs") (Options and RSUs collectively referred to as "Awards") to directors, officers, employees and consultants of the Company. Pursuant to the Omnibus Plan, the aggregate number of common shares reserved for issue under the Omnibus Plan may not exceed ten percent (10%) of the common shares of the Company outstanding from time to time. Furthermore, the Omnibus Plan sets the maximum number of common shares reserved for issuance, in the aggregate, pursuant to the settlement of RSUs granted under the Omnibus Plan at 740,000 common shares.

Options granted pursuant to the Omnibus Plan shall be exercisable for a period of up to ten (10) years at an exercise price of not less than the closing price of the common shares on the trading day immediately preceding that date of grant, less the maximum discount, if any, permitted by the principal stock exchange on which the common shares are listed.

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

(Expressed in Canadian Dollars)

15. Share-based Payments (continued)

The following is a continuity of the Company's Options for the fourteen months ended March 31, 2025 and the twelve months ended January 31, 2024:

	Options Outstanding (#)	Weighted Average Exercise Price ($)	Weighted Average Life Remaining (yrs)
Balance, January 31, 2023	**735,000**	**0.50**	**1.83**
Granted	1,710,000	0.11	4.00
Expired	(225,000)	0.50	-
Balance, January 31, 2024	**2,220,000**	**0.20**	**2.95**
Granted	150,000	0.20	1.34
Exercised	(125,000)	0.11	3.09
Expired	-	-	-
Balance, March 31, 2025	**2,245,000**	**0.20**	**1.70**
Exercisable, March 31, 2025	**2,245,000**	**0.20**	**1.70**

A summary of the Company's Options outstanding as at March 31, 2025 is as follows:

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Weighted Average Life (Years)
21-May-21	21-May-25	510,000	510,000	$0.50	0.14
10-Jul-23	10-Jul-27	1,585,000	1,585,000	$0.11	2.28
14-Mar-24	14-Mar-26	150,000	150,000	$0.20	0.95

(a) Option Grants

During the fourteen months ended March 31, 2025, the Company had the following stock options transactions:

On March 14, 2024, the Company granted Options to a consultant for the purchase of up to 150,000 common shares of the Company exercisable for a period of two years from the date of issuance with an exercise price of $0.20 per share. These Options vest over a period of one year in four equal instalments, every three months following the date of grant.

The fair value of these Options was determined using the Black-Scholes-Merton option pricing model with the following assumptions:

Risk-free interest rate:	4.25 %
Expected life:	2 years
Estimated volatility in the market price of the common shares:	92 %
Dividend yield:	Nil

During the fourteen months ended March 31, 2025, the Company expensed $11,837 in the fair value of the above Options as stock-based compensation.

(Expressed in Canadian Dollars)

15. Share-based Payments (continued)

During the twelve months ended January 31, 2024, the Company had the following stock options transactions:

On July 10, 2023, the Company issued Options for the purchase of up to 1,710,000 common shares of the Company, to certain Company's directors, officers, employees, and consultants. These Options vested immediately and are exercisable for a period of four years from the date of issuance with an exercise price of $0.11 per share.

The fair value of these issued Options was determined using the Black-Scholes-Merton option pricing model with the following assumptions:

Risk-free interest rate:	4.00 %
Expected life:	4 years
Estimated volatility in the market price of the common shares:	166 %
Dividend yield:	Nil

During the twelve months ended January 31, 2024, the Company recorded $154,981 as stock-based compensation expense in relation to the above Options.

(b) Restricted Share Units

During the fourteen months ended March 31, 2025, the Company did not issue any RSUs.

During the twelve months ended January 31, 2024, the Company had the following RSU transactions:

On July 10, 2023, the Company granted 640,000 RSUs to certain Company's directors, officers, employees, and consultants, vesting immediately. These RSUs were valued at $0.10 per RSU, based on the market value of the Company's common shares at the time of issuance for total consideration of $64,000. On July 13, 2023, these RSUs were converted into common shares of the Company (Note 16), which resulted in $64,000 being transferred from contributed surplus to share capital.

During the fourteen months ended March 31, 2025, the Company incurred $nil expenses related to RSUs (twelve months ended January 31, 2024 – $64,000), which were recorded as stock-based compensation.

(Expressed in Canadian Dollars)

16. Warrants

The following is a continuity of the Company's warrants for the fourteen months ended March 31, 2025 and the twelve months ended January 31, 2024:

	Warrants Outstanding (#)	Weighted Average Exercise Price ($)	Weighted Average Life Remaining (yrs)
Balance, January 31, 2023	**2,962,956**	**0.68**	**0.16**
Granted	9,000,000	0.15	3.00
Expired	(2,962,956)	0.68	-
Balance, January 31, 2024	**9,000,000**	**0.15**	**2.88**
Granted	**1,535,715**	**0.15**	**2.00**
Expired	-	-	-
Balance, March 31, 2025	**10,535,715**	**0.15**	**1.59**
Exercisable, March 31, 2025	**10,535,715**	**0.15**	**1.59**

During the fourteen months ended March 31, 2025, the Company issued an aggregate of 1,535,715 common share purchase warrants of the Company in connection with the issuance of the Settlement Units (Note 14).

During the twelve months ended January 31, 2024, an aggregate of 2,962,956 warrants expired, unexercised. The Company issued an aggregate of 9,000,000 common share purchase warrants of the Company in connection with the issuance of Debenture Units (Note 17) during the twelve months ended January 31, 2024.

A summary of the Company's share purchase warrants outstanding as at March 31, 2025 are as follows:

Grant Date	Expiry Date	Warrants Outstanding	Warrants Exercisable	Exercise Price	Weighted Average Life (Years)
19-Dec-23	19-Dec-26	9,000,000	9,000,000	$0.15	1.72
05-Feb-24	05-Feb-26	1,535,715	1,535,715	$0.15	0.85

17. Convertible Debentures

On December 19, 2023, the Company closed a non-brokered private placement (the "Offering") of senior secured convertible debenture units (the "Debenture Units") of the Company for an aggregate gross proceeds of $900,000. In connection with the Offering, the Company issued an aggregate of 900 Debenture Units to subscribers at a price of $1,000 per Debenture Unit. Each Debenture Unit consisted of: (i) a $1,000 principal senior secured convertible debenture (each a "Debenture"); and (ii) 10,000 common share purchase warrants of the Company (each a "Debenture Warrant").

The Debentures mature on June 19, 2025 and bear interest at a rate of 1% per month, beginning on the date of issuance and payable in cash on the last day of each calendar month. The principal sum of the Debentures, or any portion thereof, and any accrued but unpaid interest, may be converted into common shares of the Company at the option of the holder at any time prior to the maturity date at a conversion price of $0.10 per share, subject to adjustments as described below.

Each Debenture Warrant entitles the holder to purchase one common share of the Company by December 19, 2026 at an exercise price of $0.15 per share, subject to adjustment as described below. An aggregate of 9,000,000 Debenture Warrants were issued in connection with the Offering of Debenture Units. The conversion feature in the Debentures and exercise price of the Debenture Warrants have a rachet provision which could result in repricing of the conversion price or exercise price, as applicable and conditional upon compliance with the policies of the CSE, if the Company were to issue any common shares at a price less than $0.10 per share, or if any convertible instruments, stock options, share purchase warrants, or RSUs are issued at an exercise price less than $0.15 per share (collectively, the "Rachet Provision"). The obligations under the Debentures are collaterally secured by a general security agreement from the Company and its wholly-owned subsidiaries, 2360149 Ontario Inc., 180 VFC Inc., 1000712645 Ontario Inc., and Spyder Cannabis Subco Inc. (collectively, the "Guarantors") and a pledge of the security interests of the Guarantors.

The Debenture Units were determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of the conversion feature of the Debentures and the Debenture Warrants as a result of the Rachet Provision. The fair values of the embedded derivative liability components were estimated using the Black-Scholes-Merton valuation model with the assumptions disclosed in Note 19. Using the residual method, the carrying amount of the debt component is the difference between the principal amount, less debt issuance costs, and the initial fair value of the embedded derivative liabilities. The carrying value of the Debentures has been accreted using the effective interest rate method over the term of the Debentures, such that the carrying amount of the financial liability will equal the face value of Debentures at maturity.

The embedded derivative liabilities are carried at fair market value with changes in fair value recorded in the consolidated statements of operations and comprehensive income (loss). In connection with the issuance of the Debentures Units, the Company incurred debt issuance costs of $57,500, which was amortized over the term of the Debentures.

(Expressed in Canadian Dollars)

17. Convertible Debentures (continued)

	$
Proceeds from issuance of convertible debentures	**900,000**
Debt issuance costs	(57,500)
Amount classified as embedded derivative liability (Note 19)	(842,500)
Amount classified as convertible debenture at amortised cost	**-**
Accretion of convertible debenture and debt issuance costs	119,355
Carrying amount of convertible debt as at January 31, 2024	**119,355**
Accretion of convertible debenture and debt issuance costs	700,000
Carrying amount of convertible debt as at March 31, 2025	**819,355**

In connection with the Debentures, the Company incurred interest expense in the amount of $126,000 (twelve months ended January 31, 2024 – $12,774), and accretion expense in the amount of $700,000 (twelve months ended January 31, 2024 – $119,355), during the fourteen months ended March 31, 2025.

18. Capital Management

The Company's objectives when managing capital are to:

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

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

The Company's equity comprises of share capital, contributed surplus, warrant reserve, and accumulated deficit in the definition of capital. As at March 31, 2025, the Company's shareholders' equity amounted to $1,323,861 (January 31, 2024 – $384,398) which included an accumulated deficit of $7,115,610 (January 31, 2024 - $7,814,486).

18. Capital Management (continued)

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the board of directors of the Company. The Company's capital management objectives, polices and processes have remained unchanged during the fourteen months ended March 31, 2025. The Company is not subject to any external capital requirements.

19. Financial Instruments and Risk Assessment

The fair value hierarchy that reflects the significance of inputs used in making fair value measurements is as follows:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3: inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value. Financial instruments of the Company consist of cash, accounts receivable, trade and other payables, contract liabilities, government loan, loans payable, derivative liabilities, and convertible debentures. There are no significant differences between the carrying amounts of the current assets and current liabilities reported on the consolidated statements of financial position and their estimated fair values due to the relatively short-term maturities of these financial instruments. The government loan as at March 31, 2025 approximated its fair value as terms and conditions represented market terms and conditions.

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

The Company uses the Black-Scholes-Merton valuation model to estimate fair value of the derivative liabilities at each reporting period. This is a level 3 reoccurring fair value measurement. The key level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the convertible debentures. The Company believes that a 1% difference in the inputs used for this fair value measurement would not cause a material difference to the fair value.

(Expressed in Canadian Dollars)

19. Financial Instruments and Risk Assessment (continued)

The following range of assumptions were used to value the embedded derivative liabilities during the fourteen months ended March 31, 2025:

Stock price	\$0.10 - \$0.15
Risk-free interest rate	2.47 %
Expected life	0.06 – 1.72 years
Estimated volatility in the market price of the common shares	125-221 %
Dividend yield	Nil

Transactions related to the Company's derivative liabilities during the fourteen months ended March 31, 2025 are comprised of the following:

	Conversion Feature \$	Warrant Liability \$	Total \$
As at February 1, 2023	-	-	-
Fair value of embedded derivative liabilities on issurance date *(Note 17)*	318,833	523,667	842,500
Fair value change in embedded derivative liabilities during the period	324,396	241,816	566,212
As at January 31, 2024	**643,229**	**765,483**	**1,408,712**
Fair value change in embedded derivative liabilities during the period	(612,200)	(378,429)	(990,629)
As at March 31, 2025	**31,029**	**387,054**	**418,083**

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

Credit risk

The Company is exposed to credit risk on its cash balance, and accounts receivable from customers. The credit risk associated with the Company's cash is considered low, as the cash is held with reputable financial institutions. The Company's maximum exposure to credit risk associated with its customers is limited to \$1,444,348 (January 31, 2024 – \$1,501,702), the balance held as at March 31, 2025. Given the Company's history with these customers and their financial strength, the Company has assessed the credit risk related to these customers as low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(Expressed in Canadian Dollars)

19. Financial Instruments and Risk Assessment (continued)

Liquidity risk (continued)

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

	1 year	2 to 5 years	>5 years	Total
	$	$	$	$
March 31, 2025				
Trade and other payables	5,460,165	-	-	5,460,165
Lease liabilities	1,843,769	3,907,485	-	5,751,254
Government loan	254,367	-	-	254,367
Loans payable	453,029	-	-	453,029
Convertible debentures	900,000	-	-	900,000
January 31, 2024				
Trade and other payables	4,630,018	-	-	4,630,018
Lease liabilities	1,635,900	4,593,692	40,767	6,270,359
Government loan	-	240,395	-	240,395
Loans payable	545,379	-	-	545,379
Convertible debentures	-	900,000	-	900,000

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest rate risk, foreign exchange risk, and price risk.

(a) Interest rate risk

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

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations to cash, accounts receivable, and trade and other payables. As at March 31, 2025, the Company had minimal accounts in foreign currencies and considers foreign exchange risk to be insignificant.

(c) Price risk

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

(Expressed in Canadian Dollars)

20. Related Party Transactions

Key management personnel compensation

The Company defines key management personnel as the officers and directors of the Company. Key management compensation during the fourteen months ended March 31, 2025 and the twelve months ended January 31, 2024 are as follows:

	Fourteen Months Ended March 31, 2025	Twelve Months Ended January 31, 2024
	$	$
Salaries and other short-term employee benefits	**920,915**	894,307
Car allowance to director	**14,059**	12,804
Stock-based compensation	-	136,164
Director fees	**63,000**	54,000
	997,974	1,097,275

Related party transactions as at and for the fourteen months ended March 31, 2025 and the twelve months ended January 31, 2024 and the balances as at those dates, not disclosed elsewhere in these consolidated financial statements are as follows:

a) Included in accounts payable and accrued liabilities is amounts payable to related parties in the amount of $324,134 (January 31, 2024 – $430,910) to related parties of the Company;

b) The Company had loans payable to related parties of the Company bearing interest between 12% to 24%, with no set terms of repayment (Note 12). During the fourteen months ended March 31, 2025, the Company made repayments towards these non-arms' length loans payable in the amount of $62,350. The non-arms' length loans payables were owing to the chairman of the Company, immediate family members of the chairman of the Company, and CEO of the Company (Note 12). Included in accounts payable and accrued liabilities is interest payable in the amount of $141,453 (January 31, 2024 – $112,581) to related parties of the Company;

c) The Company issued RSUs and stock options to certain officers and directors of the Company during the twelve months ended January 31, 2024; and

d) On February 5, 2024, the Company had debt settlement transactions with directors and officers of the Company in the aggregate amount of $165,000 (Note 14).

(Expressed in Canadian Dollars)

21. Income Taxes

a) Income tax expense:

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

	March 31, 2025	January 31, 2024
	$	$
Income (loss) before income taxes	**624,471**	(2,056,353)
Statutory income tax rate	**26.50%**	26.50%
Expected income tax (recovery)	**165,484**	(544,934)
Changes in income taxes resulting from:		
Stock-based compensation	**3,000**	58,000
Fair value adjustment of derivative liabilities	**(263,000)**	150,000
Accreted interest	**186,000**	37,000
Share issuance costs 20(1)(e)	**(5,000)**	(5,000)
Temporary tax differences	**76,000**	108,000
Other	**27,000**	116,000
Change in unrecognized deductible temporary differences	**(263,889)**	17,157
Provision for income taxes (recovery)	**(74,405)**	(63,777)
Current income tax	**-**	-
Deferred tax recovery	**(74,405)**	(63,777)

b) Deferred income taxes:

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

	March 31, 2025	January 31, 2024
	$	$
Deferred tax assets (liabilities)		
Non-capital losses	**3,143,000**	3,255,000
Share issuance costs	**18,000**	18,000
Property and equipment	**(10,000)**	(10,000)
Right-of-use assets and lease liabilites, net	**497,000**	464,000
Intangible assets - brand name	**(701,544)**	(775,949)
Unrecognized deferred tax asset	**(3,648,000)**	(3,727,000)
Net deferred tax asset (liability)	**(701,544)**	(775,949)

The Company has capital losses carried forward of approximately $11,862,000 which will begin to expire from 2035 to 2046.

(Expressed in Canadian Dollars)

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

During the fourteen months ended March 31, 2025, the Company had the following non-cash transactions from investing and financing activities:

- The Company issued Options (Note 15);
- The Company entered into sublease arrangement which resulted in the derecognition the related right-of-use assets and the recognition of an investment in subleases (Note 8);
- The Company issued Settlement Units comprising of common shares and common share purchase warrants for the settlement of debt (Note 15, 16); and
- The Company issued common shares as a result of an exercise of stock options exercised by an employee of the Company (Note 14, 15).

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

- The Company issued stock options and RSUs (Note 15);
- The Company's granted RSUs were converted into common shares of the Company (Note 15);
- The Company had a convertible debenture issuance which had embedded derivative liabilities in connection with the conversion feature and warrants (Note 17); and
- The Company entered into sublease arrangements which resulted in the derecognition the related right-of-use assets and the recognition of an investment in subleases (Note 8).

23. Operating Segments

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

	Fourteen Months Ended March 31, 2025	Twelve Months Ended January 31, 2024
	$	$
180 Smoke – Vape (B2C – Direct to Consumer)	**36,410,525**	23,434,410
180 Smoke – Vape (B2B – Franchise, Wholesale and Partnership)	**6,025,338**	6,874,734
Offside Cannabis – Cannabis (B2C – Direct to Consumer)	**4,128,870**	3,760,536
Total revenue	**46,564,733**	34,069,680

During the fourteen months ended March 31, 2025 and the twelve months ended January 31, 2024, the Company had no sales to any customer exceeding 10% of total revenue.

24. Subsequent Events

On April 22, 2025, the Company completed the early redemption of Debentures in the amount of $900,000 plus accrued interest (Note 17). As a result, the Debentures have been cancelled, and none of the Debentures were converted into common shares. Furthermore, the security interests and obligations of the Guarantors and the Company have been discharged and all pledged securities have been returned to the Company.

On July 7, 2025, the Company announced it had entered into agreements with 180 Global relating to the licensing of the 180 Smoke Vape Store brand for retail online sales in Eastern Canada. 180 Global assumed operational functions in Eastern Canada as a result of the retail partnership in exchange for certain service fees and a royalty fee payable to the Company.