

**Sprout AI Inc. (formerly 1262803 B.C. LTD.)**

**and**

**Sprout AI S.A.**

**CONSOLIDATED & CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED MAY 31, 2021**

**(Unaudited)**

*(Expressed in Canadian Dollars for Sprout AI Inc. (formerly 1262803 B.C. LTD.) and United States Dollars for Sprout AI S.A.)*

## **Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements for the six-month period ended May 31, 2021, have been prepared by the management in accordance with International Financial Reporting Standards and approved by the Board of Directors of Sprout AI Inc. (the “Company”). These condensed interim consolidated financial statements have not been reviewed by the Company’s independent auditor.

## Sprout AI Inc. (formerly 1262803 B.C. LTD.)

Condensed Interim Statements of Financial Position

As at May 31, 2021 and November 30, 2020

(Expressed in Canadian dollars - unaudited)

<b>Sprout AI Inc. (formerly 1262803 B.C. LTD.)</b>		<b>May 31,</b>	
AS AT	Note	<b>2021</b>	November 30,
		<b>(unaudited)</b>	2020
		\$	(audited)
			\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		<b>1,904,981</b>	247,351
Loan receivable	3	<b>660,201</b>	150,000
Total assets		<b>2,565,182</b>	397,351
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	<b>687,500</b>	397,500
Warrant reserve	5	<b>2,000,000</b>	-
Deficit		<b>(122,318)</b>	(149)
Total shareholders' equity		<b>2,565,182</b>	397,351

**Subsequent Events** (Note 9)

## Sprout AI S.A.

Condensed Interim Statements of Financial Position  
As at April 30, 2021 and October 31, 2020  
(Expressed in United States dollars - unaudited)

<b>Sprout AI S.A.</b>		<b>April 30,</b>	<b>October 31,</b>
<b>AS AT</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>(unaudited)</b>	<b>(audited)</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		<b>1,313</b>	50
Account receivable – other		<b>180,768</b>	-
Total current assets		<b>182,081</b>	50
<b>Non-current assets</b>			
Right-of-use asset		<b>1,057,387</b>	1,149,333
Equipment and leasehold improvements		<b>329,147</b>	373,092
Total non-current assets		<b>1,386,534</b>	1,522,425
Total assets		<b>1,568,615</b>	1,522,475
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		<b>59,019</b>	68,382
Current portion of lease liability		<b>160,368</b>	129,729
Due to parent company		<b>2,665,126</b>	2,018,003
Total current liabilities		<b>2,884,513</b>	2,216,114
Long-term liabilities	5		
Lease liability	5	<b>1,024,257</b>	1,132,369
Total long-term liabilities		<b>1,024,257</b>	1,132,369
Total liabilities		<b>3,908,770</b>	3,348,483
<b>Shareholders' deficiency</b>			
Share capital		<b>10,000</b>	10,000
Deficit		<b>(2,350,155)</b>	(1,836,008)
Total shareholders' deficiency		<b>(2,340,155)</b>	(1,826,008)
Total liabilities and shareholders' deficiency		<b>1,568,615</b>	1,522,475

Approved and authorized for issue by the board of directors on August 18, 2021 and signed on its behalf by:

/s/ Chris Bolton

Chris Bolton, CEO and Director

/s/ Kyle Horak

Kyle Horak, Director

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

**Sprout AI Inc. (formerly 1262803 B.C. LTD.)**  
 Condensed Interim Statements of Net Loss or Comprehensive Loss  
 As at May 31, 2021 and November 30, 2020  
 (Expressed in Canadian dollars - unaudited)

<b>Sprout AI Inc. (formerly 1262803 B.C. LTD.)</b>	<b>For the three months ended May 31, 2021</b>	<b>For the six months ended May 31, 2021</b>
	\$	\$
<b>Expenses</b>		
General and office administration	93	382
Professional fees	25,828	115,196
Registration, filing and transfer agent fees	1,341	6,591
Net loss and comprehensive loss for the period	(27,262)	(122,169)
Loss per share, basic and diluted	(0.00)	(0.01)
Weighted average number of shares outstanding - basic and diluted	18,656,693	17,531,607

\* The Company was incorporated on August 25, 2020, and there is no comparative prior period.

## Sprout AI S.A.

Condensed Interim Statements of Net Loss or Comprehensive Loss

As at April 30, 2021 and October 31, 2020

(Expressed in United States dollars - unaudited)

<b>Sprout AI S.A.</b>	<b>For the three months ended April 30, 2021</b>	<b>For the six months ended April 30, 2021</b>
<b>Expenses</b>		
General and office administration	92,323	268,813
Depreciation	72,981	145,962
Interest expense	49,686	99,372
Net loss and comprehensive loss for the period	214,990	514,147
Loss per share, basic and diluted	(0.00)	
Weighted average number of shares outstanding - basic and diluted	100	100

\* Sprout AI was incorporated on November 19, 2018, and there is no comparative prior period.

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

**Sprout AI Inc. (formerly 1262803 B.C. LTD.)**  
Condensed Interim Statements of Changes in Shareholders Equity  
As at May 31, 2021 and November 30, 2020  
(Expressed in Canadian dollars - unaudited)

<b>Sprout AI Inc. (formerly 1262803 B.C. LTD.)</b>	Number of Shares	Share Capital	Warrant reserve	Deficit	Total
		\$	\$	\$	\$
<b>Incorporation, on August 25, 2020</b> (Note 5)	100	-	-	-	-
Private placement (Note 5)	16,500,000	397,500	-	-	397,500
Net loss for the period	-	-	-	(149)	(149)
<b>Balance, November 30, 2020</b>	16,500,100	397,500	-	(149)	397,351
Private placement (Note 5)	2,000,000	100,000	-	-	100,000
Special warrants issued (Note 5)	-	-	2,000,000	-	2,000,000
Warrants exercised (Note 5)	9,500,000	190,000	-	-	190,000
Net loss for the period	-	-	-	(122,169)	(122,169)
<b>Balance, May 31, 2021</b>	28,000,100	687,500	2,000,000	(122,318)	2,565,182

## Sprout AI S.A.

Condensed Interim Statements of Changes in Shareholders Equity

As at April 30, 2021 and October 31, 2020

(Expressed in United States dollars - unaudited)

<b>Sprout AI S.A.</b>	Number of Shares	Share Capital	Warrant reserve	Deficit	Total
		\$	\$	\$	\$
<b>Balance October 31, 2019</b>		10,000	-	(1,067,485)	(1,057,485)
Net loss for the period	-	-	-	(768,523)	(768,523)
<b>Balance, October 31, 2020</b>	100	10,000	-	(1,836,008)	(1,826,008)
Net loss for the period	-	-	-	(514,147)	(514,147)
<b>Balance, April 30, 2021</b>	100	10,000	-	(2,350,155)	(2,340,155)

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



# Sprout AI Inc. (formerly 1262803 B.C. LTD.)

Condensed Interim Statements of Changes in Cash Flows

As at May 31, 2021 and November 30, 2020

(Expressed in Canadian dollars - unaudited)

<b>Sprout AI Inc. (formerly 1262803 B.C. LTD.)</b>	<b>For the six months ended May 31, 2021</b>
	\$
<b>Operating activities</b>	
Net loss for the period	(122,169)
Changes in non-cash working capital:	
Accounts payable	-
<b>Net cash flows used in operating activities</b>	<b>(122,169)</b>
<b>Investing activities</b>	
Loan to Sprout	(510,201)
<b>Net cash flows used in investing activities</b>	<b>(510,201)</b>
<b>Financing activities</b>	
Proceeds from issuance of common shares	100,000
Proceeds from issuance of special warrants	2,000,000
Proceeds from exercise of warrants	190,000
<b>Net cash flows from financing activities</b>	<b>2,290,000</b>
<b>Net increase in cash</b>	<b>1,657,630</b>
Cash, beginning of the period	247,351
<b>Cash, end of the period</b>	<b>1,904,981</b>

# Sprout AI S.A.

Condensed Interim Statements of Changes in Cash Flows

As at April 30, 2021 and October 31, 2020

(Expressed in United States dollars - unaudited)

<b>Sprout AI S.A.</b>	<b>For the six months ended April 30, 2021</b>
	\$
<b>Operating activities</b>	
Net loss for the period	(514,147)
Changes in non-cash working capital:	
Accounts receivable – other	(180,767)
Accounts payable and accrued liabilities	(9,363)
Due to parent company	647,123
Lease Liability	(77,473)
<b>Net cash flows used in operating activities</b>	<b>11,335</b>
<b>Investing activities</b>	
Purchase fix assets	(10,072)
<b>Net cash flows used in investing activities</b>	<b>(10,072)</b>
<b>Net increase in cash</b>	<b>1,263</b>
Cash, beginning of the period	50
<b>Cash, end of the period</b>	<b>1,313</b>

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

**Sprout AI Inc. (formerly 1262803 B.C. LTD.)**  
**Notes to the Condensed Interim Financial Statements**  
**For the six months ended May 31, 2021**  
**(Expressed in Canadian Dollars - unaudited)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Sprout AI Inc. (the “Company”) was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia, and Sprout AI was incorporated on November 19, 2019. On June 1, 2021 under the Laws of Panama, the Company changed its name from 1262803 B.C. Ltd. to Sprout AI Inc. upon closing of its acquisition (Notes 4 and 9). Sprout AI is a vertical farming technology company in the business of planning, designing, manufacturing and/or assembling sustainable and scalable AI-controlled vertical cultivation equipment for indoor vertical farming.

The registered and records offices of the Company are located at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2, and Sprout AI’s registered office is at International Business Park, Unit 5B, Building 3860, Panama Pacifico, Republic of Panama.

**a) Statement of compliance**

These condensed interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed, and therefore the condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s audited financial statements for the 97-day period ended November 30, 2020, including the accompanying notes thereto.

The Board of Directors approved these condensed interim financial statements on August 19, 2021.

**b) Basis of measurement**

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is the Canadian dollar and the functional currency of Sprout AI is in the United States dollar. The presentation currency of these financial statements is the Canadian dollar for the Company and the United States dollar for Sprout AI.

**c) Going concern**

These financial statements have been prepared on a going concern basis, which presumes that the Company and Sprout AI will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at May 31, 2021, the Company had a deficit of \$122,318 (November 30, 2020 - \$149) and anticipates that losses will be incurred in future periods. As of April 30<sup>th</sup>, Sprout AI had a deficit of \$ (514,147) (October 30, 2020 – (768,523) and anticipates that losses will be incurred in future periods. The Company’s and Sprout AI’s ability to continue as a going concern and meet its corporate objectives will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company or Sprout AI will be able to obtain adequate financing in the future or that such financing will be available on terms advantageous to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). The Company and Sprout AI continues to operate their business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The impact of COVID-19 on the Company’s business, results of operations, financial position and cash flows in 2021 cannot be determined at this time.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and significant judgements as described in Note 2 to the audited financial statements for the 97-day period ended November 30, 2020 and have been consistently applied in the presentation of these condensed interim financial statements.

### Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the Company's May 31, 2021 reporting period or Sprout AI's April 30, 2021 reporting period. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## 3. LOAN RECEIVABLE

Loan receivable, November 30, 2020	<b>150,000</b>
Advances	<b>510,201</b>
<b>Loan receivable, May 28, 2021</b>	<b>660,201</b>

On November 9, 2020, the Company made a \$150,000 loan to Sprout AI, S.A. ("Sprout") pursuant to the terms of a Letter of Intent ("LOI") (Note 4). The loan receivable is unsecured, non-interest bearing and is repayable if the LOI is terminated.

During the six month period ended May 31, 2021, the Company made additional loans of \$510,201 pursuant to the terms of the acquisition (Note 4). As at May 31, 2021, the Company has a loan receivable of \$660,201.

Sprout AI acknowledges receipt of the above loans.

## 4. ACQUISITION

On November 4, 2020, the Company signed a LOI with Sprout where the Company will acquire a 100% interest in all of the issued and outstanding securities of Sprout AI, S.A. ("Sprout").

Sprout AI is in the business of planning, designing, implementing and supporting vertical automated aeroponic grow habitats designed to operate within high density urban settings with access to limited power and water.

On December 7, 2020, the Company signed a Securities Exchange Agreement (the "Definitive Agreement") with Sprout and the shareholder of Sprout. Pursuant to the Definitive Agreement, the Company will acquire all the outstanding securities of Sprout in consideration for the following:

1. 50,000,000 common shares of the Company (issued subsequent to period, Note 9).
2. 10,000,000 performance-based share purchase warrants of the Company (granted subsequent to period, Note 9). Each warrant will entitle the holder to purchase an additional common share of the Company at an exercise price of \$0.17 for a period of three years. These warrants vest as follows:
  - a. One third vesting upon the Company realizing \$3,000,000 in total revenue;
  - b. One third vesting upon the Company realizing \$6,000,000 in total revenue; and
  - c. One third vesting upon the Company realizing \$9,000,000 in total revenue.

#### 4. ACQUISITION (CONT'D)

The Company will also provide Sprout AI with a refundable bridge financing of \$400,000, of which \$150,000 was advanced on the execution of the LOI (completed) and \$250,000 (completed) was advanced upon the execution of the Definitive Agreement. The bridge financing is unsecured, non-interest bearing and is repayable if the Definitive Agreement is terminated. On the closing of the transaction, the Company intends to change its name to "Sprout AI Inc." or such other name as designated by Sprout. Prior to the closing of the transaction the Company is required to complete a private placement for gross proceeds of not less than \$2,000,000 (Note 5).

On February 19, 2021, the Company entered into an agreement with Sprout AI to lend an additional sum of \$300,000 pursuant to the Definitive Agreement (\$260,201 advanced as of May 31, 2021).

Subsequent to the period, the Company closed the Definitive Agreement transaction (Note 9).

#### 5. SHARE CAPITAL

##### a) Common shares

###### **Authorized:**

Unlimited number of common shares without par value.

###### **Share issuances**

###### **For the six months ended May 31, 2021:**

On December 2, 2020, the Company closed a non-brokered private placement offering of 2,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$100,000.

On February 2, 2021, the Company closed a non-brokered private placement offering consisting of 11,764,706 special warrants of the Company (each, a "Special Warrant") at \$0.17 per Special Warrant for gross proceeds of \$2,000,000 (Note 5(c)).

On May 31, 2021, the Company issued 9,500,000 common shares upon exercise of warrants for gross proceeds of \$190,000 (Note 5(b)).

###### **For the 97-day period ended November 30, 2020:**

On August 25, 2020, the Company issued 100 shares at nominal value upon incorporation.

On August 31, 2020, the Company closed a non-brokered private placement offering of 9,500,000 units at a price of \$0.005 per unit for gross proceeds of \$47,500. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share, for a period of twelve months at an exercise price of \$0.02 per warrant. A value of \$Nil was assigned to the warrants.

## 5. SHARE CAPITAL (CONT'D)

### a) Common shares (cont'd)

#### For the 97-day period ended November 30, 2020 (cont'd):

On September 10, 2020, the Company closed a non-brokered private placement offering of 5,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$250,000.

On November 18, 2020, the Company closed a non-brokered private placement offering of 2,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$100,000.

### b) Warrants

	Number of warrants	Weighted average exercise price
<b>At August 25, 2020</b>	-	\$ -
Warrants granted	9,500,000	0.02
<b>At November 30, 2020</b>	9,500,000	\$ 0.02
Warrants exercised	(9,500,000)	0.02
<b>At May 31, 2021</b>	-	-

During the six months ended May 31, 2021, 9,500,000 warrants were exercised for gross proceeds of \$190,000.

### c) Special Warrants

	Number of Special warrants	Weighted average exercise price
<b>At November 30, 2020</b>	-	\$ -
Special Warrants granted	11,764,706	0.17
<b>At May 31, 2021</b>	11,764,706	\$ 0.17

On February 2, 2021, the Company closed a non-brokered private placement offering consisting of 11,764,706 Special Warrants at \$0.17 per Special Warrant for gross proceeds of \$2,000,000. Each Special Warrant entitles the holder thereof to acquire, without payment of any additional consideration and without any action by the holder, one common share (each, a "Special Warrant Share") in the capital of the Company. Also, each Special Warrant will automatically convert into a common share on the earlier of: (i) the first business day following the day on which a receipt for a final prospectus has been issued to the Company by or on behalf of the securities regulatory authorities in a province of Canada or such other jurisdiction(s) as may be determined by the Company and (ii) the 240<sup>th</sup> day following the issuance of the Special Warrants.

Subsequent to the period, the Special Warrants were converted to common shares (Note 9).

## 6. RELATED PARTY TRANSACTIONS

During the six months ended May 31, 2021 the Company had \$Nil transactions with related parties. As at May 31, 2021 and November 30, 2020, there is \$Nil owing from or due to related parties.

During the six months ended May 31, 2021 Sprout AI had \$Nil transactions with related parties. As at May 31, 2021 and November 30, 2020, there is \$Nil owing from or due to related parties.

## 7. FINANCIAL INSTRUMENTS

The Company's and Sprout AI's financial instruments consist of cash, accounts payable and loan receivable. Unless otherwise noted, it is management's opinion that the Company and Sprout AI are not exposed to credit, liquidity or market risks arising from these financial instruments.

### Credit risk

Credit risk is the risk of potential loss to the Company or Sprout AI if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's or Sprout AI's credit risk is primarily attributable to its liquid financial assets including cash and loan receivable. The Company or Sprout AI limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Loan receivable consist of amounts paid to sprout in connection to the LOI. The credit risk is considered low.

### Liquidity risk

Liquidity risk is the risk that the Company or Sprout AI will not be able to meet its obligations as they become due. The Company and Sprout AI have historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company or Sprout AI will be able to obtain required financing in the future on acceptable terms. The Company and Sprout AI anticipated they will need additional capital in the future to finance ongoing operations, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Company and Sprout AI have limited financial resources, has no source of operating income and has no assurance that additional funding will be available to fund its beverage operations, although the Company and Sprout AI have been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company and Sprout AI to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company and Sprout AI in creating revenue, cash flows or earnings.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

### Fair value measurements of financial assets

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at May 31, 2021 and November 30, 2020, cash and accounts payable is measured as a Level 1 financial instrument. The loan receivable is measured as a Level 2 financial instrument.

As at April 30, 2021 for Sprout AI cash is measured as a Level 1 financial instrument. The loan receivable is measured as a Level 2 financial instrument.

The Company and Sprout AI believe that the recorded values of its cash and loan receivable approximate their current fair values because of their nature and relatively short maturity dates or durations.

## **8. CAPITAL MANAGEMENT**

The Company's and Sprout AI consider its capital to be the main component of shareholders' equity. The objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management since incorporation. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital for the development of its business, and will need to raise additional capital by obtaining equity financing through private placements or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

## **9. SUBSEQUENT EVENTS**

On June 1, 2021, in accordance with the Definitive Agreement dated December 8, 2020 (Note 4), among Sprout AI, the Company and TheraCann International Benchmark Corp., the Company acquired all of the issued and outstanding shares of Sprout AI for a purchase price of \$8.5 million, satisfied through the issuance of 50,000,000 Common Shares and 10,000,000 Common Share purchase warrants (the "Transaction") at a deemed value of \$0.17 Common Share, which is equal to the value of the Common Shares to be issued pursuant to the Common Share Offering and the Special Warrant Offering. Sprout was at arm's length to the Company and the Transaction was an arm's length transaction. Following closing of the Transaction, Sprout became a wholly owned subsidiary of the Company and the Company changed its name from 1262803 B.C. Ltd. to Sprout AI Inc.

On June 3, 2021, the Company issued 11,764,706 common shares upon conversion of the Special Warrants granted on February 2, 2021 (Note 5).

On June 22, 2021, the Company issued 500,000 common shares for warrants exercised.