Sprout AI Inc.

(the “**Company**” or the “**Issuer**”)

Form 2A
LISTING STATEMENT

June 30, 2021

Notice to Reader

This Listing Statement contains the Company's Final Long Form Prospectus dated May 31, 2021 (the "**Prospectus**"). Certain sections of the Canadian Securities Exchange ("**CSE**") form of Listing Statement have been included following the Prospectus to provide additional disclosure on the Company, as required by the CSE. Capitalized terms not otherwise defined herein have the meaning ascribed thereto in the Prospectus.

TABLE OF CONCORDANCE

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SCHEDULE "A" – Long Form Prospectus

SCHEDULE "B" – Form 2A, Section 14 – Capitalization Tables

SCHEDULE "A"

Long Form Prospectus

Please see attached.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) and may not be offered, sold or delivered, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States. See "Plan of Distribution"

LONG FORM PROSPECTUS

New Issue May 31, 2021

Sprout AI Inc.

500,000 Common Shares at a price of $0.17 per Common Share

and

11,764,706 Common Shares on the Automatic Exercise of 11,764,706 Special Warrants

This long form prospectus (the "**Prospectus**") is being filed with the securities regulatory authorities in each of British Columbia, Alberta and Ontario to enable Sprout AI Inc. ("**Sprout AI**" or the "**Company**") to become a reporting issuer under the applicable securities legislation in each of British Columbia, Alberta and Ontario.

This Prospectus qualifies for distribution 11,764,706 common shares in the capital of the Company ("**Common Shares**" and such Common Shares being the "**SW Shares**") issuable for no additional consideration upon the deemed exercise of 11,764,706 special warrants (the "**Special Warrants**") of the Company issued on February 2, 2021 at a price of $0.17 per Special Warrant to purchasers in British Columbia, Alberta and Ontario (collectively, the "**Qualifying Jurisdictions**") on a non-brokered private placement basis pursuant to a prospectus exemption under applicable securities legislation (the "**Special Warrant Offering**"). No commission is payable in respect of the Special Warrant Offering.

The Prospectus also qualifies the distribution on a non-brokered basis (the "**Common Share Offering**" and, together with the Special Warrant Offering, the "**Offering**") of 500,000 Common Shares (the "**Offered Shares**"). The Common Share Offering is being undertaken to meet the distribution requirements of the Canadian Securities Exchange ("**CSE**"). No commission is payable in respect of the Common Share Offering. See "*Plan of Distribution*".

The Special Warrants are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Company from the distribution of the SW Shares upon the deemed exercise of the Special Warrants.

The SW Shares and the Offered Shares are collectively referred to herein as the "**Qualifying Securities**".

The Qualifying Securities were or will be issued in certificated form.

An application has been filed by the Company to have its Common Shares listed for trading on the CSE under the trading symbol "SPRT". The CSE has conditionally approved the listing of the Common Shares. Listing is subject to the Company fulfilling all the listing requirements of the CSE. There is no guarantee that the Common Shares will be listed on the CSE. As of the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States.

Subject to the terms and conditions of the Special Warrants, each of the Special Warrants entitles the holder thereof to acquire, upon deemed exercise on the Qualification Date (as defined below), one SW Share, subject to adjustment in certain circumstances, without payment of any additional consideration.

The Special Warrants will be deemed to be exercised on the date (the "**Qualification Date**") that is the earlier of (a) the date that is the 240th day following closing date of the Special Warrant Offering (the "**Outside Exercise Date**"), and (b) the first business day following the date on which a receipt for a final prospectus of the Company (a "**Final Receipt**") has been issued, at which time each Special Warrant shall be automatically exercised for one SW Share, subject to adjustment in certain circumstances, without payment of any additional consideration and without further action on the part of the holder.

The Special Warrants were purchased by subscribers pursuant to private placement exemptions from the prospectus requirements in the Qualifying Jurisdictions in compliance with laws applicable to each such subscriber, respectively. There is no market through which the Special Warrants may be sold and none is expected to develop. Pursuant to the terms and conditions of the Special Warrants, the Special Warrants will be deemed to be exercised on the first business day following the date the Final Receipt for this Prospectus is issued.

There is currently no market through which the SW Shares, Offered Shares and other securities of the Company may be sold in Canada. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".

An investment in the Qualifying Securities involves significant risks. Investors should carefully review and consider the risk factors described under the heading "*Risk Factors*" and elsewhere in this Prospectus.

All references in this Prospectus to "$" or "dollars", unless otherwise noted or the context requires, are in Canadian dollars.

No underwriter or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.

An investment in the securities of the Company is speculative and involves a significant degree of risk due to various factors, including the nature of the business of the Company and its stage of development. Investors should carefully consider the risk factors described in this Prospectus. See "*Risk Factors*".

The head of the Company is located at International Business Park, Unit 5B, Building 3860, Panama Pacifico, Republic of Panama and its registered and records office is located at Suite 4300, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

GENERAL MATTERS

A prospective investor should rely only on all of the information contained in this Prospectus and not on certain parts of this Prospectus to the exclusion of others. No person has been authorized to give any information other than that contained in this Prospectus, or to make any representations in connection with the Offering, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Company. Any graphs, tables or other information demonstrating our historical performance or of any other entity contained in this Prospectus are intended only to illustrate past performance and are not necessarily indicative of our future performance. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or any sale of the Qualifying Securities. The Company's business, financial condition, operating results and prospects of the Company may have changed since the date of this Prospectus.

For investors outside the Qualifying Jurisdictions, the Company has not done anything that would permit the Offering or distribution of this Prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the Offering and the distribution of this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking statements" within the meaning of applicable securities laws. All estimates, projections and other forward-looking statements have been prepared by the Company on assumptions that management considers reasonable, but these estimates, projections, and statements involve a high degree of risk and may not prove accurate. No representation is made as to the accuracy of such estimates, statements, or projections or their attainability, and nothing in this Prospectus shall be relied upon as a promise or representation as to the Company's future performance. The Company and its existing and proposed activities are subject to various risks and uncertainties, including, but not limited to, those described in the section titled "*Risk Factors*" in this Prospectus.

Statements that are not historical facts or that describe the Company's plans, beliefs, goals, intentions, objectives, projections, expectations, assumptions, strategies, or future events are forward-looking statements. In addition, terms such as "will," "believe," "anticipate," "estimate," "plan," "projects," "continuing," "ongoing," "expect," "intend," "potential," and similar expressions and discussions of the Company's strategy or other intentions identify forward-looking statements. Statements containing forward-looking information are made as of the date of this Prospectus and include, but are not limited to, statements with respect to:

- the completion of the Common Share Offering and the timing thereof;
- the Company's business objectives and research and development activities;
- the listing of the Common Shares;
- the performance of the Company's business and operations;
- the intention to grow the business, operations and potential activities of the Company;
- the COVID-19 pandemic, the Company's and governmental authorities' current and planned responses thereto and the impact thereof on, without limitation, the Company in particular and the vertical farming industry in general;
- the anticipated growth of the industry;
- the competitive conditions of the industry in which the Company operates;
- the applicable laws, regulations and any amendments thereof;
- the competitive advantages and business strategies of the Company;
- the projected sales pipelines of the Company;
- the anticipated benefits of the Company's distribution relationship with TheraCann;

- the anticipated future gross revenues and profit margins of the Company's operations;
- the Company's available funds and use and principal purpose of available funds, including net proceeds of the Offering;
- the Company's ability to raise sufficient financing, if and when necessary, to continue its operations;
- the Company's expectations regarding revenues, expenses, dividends and anticipated cash needs; and
- the risks associated with the acquisition of the securities in the industry in which the Company operations.

These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed for the reasons described in this Prospectus. Undue reliance should not be placed on these forward-looking statements. The forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, the Company cannot assess the impact of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

This Prospectus includes certain statements and estimates provided by the Company with respect to the anticipated future performance of the Company. Such statements and estimates reflect various assumptions by the Company concerning anticipated results, including with respect to:

- timely receipt of the necessary regulatory (including stock exchange) approvals and other required approvals in connection with the Offering and the listing of the Common Shares;
- the use of the net proceeds of the Offering;
- operating and capital costs, including the amount and nature thereof;
- the Company's ability to generate sufficient cash flow from operations and to access facilities and capital markets to meet its future obligations;
- the effect of the COVID-19 pandemic on the Company's business;
- trends and developments in the Company's industry;
- business strategy and outlook;
- opportunities available to or pursued by the Company;
- expansion and growth of business and operations;
- the Company's ability to attract and retain qualified personnel or management;
- credit risks;
- anticipated acquisitions;
- stability of general economic and financial market conditions; and
- in relation to the Company’s expectations regarding revenues from sales orders obtained to date, assumptions relating to manufacturing and manufacturing capacity, consumer demand for the

Company's products and ability of customers to satisfy payment obligations under sales orders, pricing of products, cost of sales and general and administrative expenses (including sales and marketing expenses). In particular, the Company has assumed and expects that, among other things: (i) its products will meet the specifications of it and its customers; (ii) the pricing of its products will be in line with the disclosure herein; and (iii) it will have capacity to manufacture a sufficient number of habitats to satisfy sales orders after its initial scale-up.

No representations are made as to the accuracy of such statements and estimates, as well as the exercise of a substantial degree of judgment by management as to the scope and presentation of such information. Actual results achieved during projection periods may differ substantially from those projected.

Certain of the information contained in this Prospectus concerning industry trends and performance is based upon or derived from information provided by third-party consultants, other industry sources and the Company's research. The Company believes such information is accurate and that the sources from which it has been obtained are reliable. However, the Company cannot guarantee the accuracy of such information and has not independently verified the assumption upon which projections of future trends and performance are based.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

Some of the risks and other factors, some of which are beyond the Company's control, which could cause results to differ materially from those expressed in the forward-looking statements included in this Prospectus, include, but are not limited to:

- failure to complete the Common Share Offering;
- general economic, market and business conditions in Panama, Canada and other countries, including reduced availability of debt and equity financing generally;
- the Company's ability to raise equity and/or debt financing on acceptable terms;
- global or national health concerns, including the outbreak of pandemic or contagious diseases, such as COVID-19 and including the evolution of new variants of COVID-19, the duration and effect thereof and delays relating to vaccine development, procurement and distribution;
- risks relating to the effective management of the Company's growth;
- liabilities and risks, including environmental liabilities and risks associated with the Company's operations;
- the execution of strategic growth plans;
- the Company's ability to attract and retain customers;
- the competitive nature of the industries in which the Company operates;
- competition for, among other things, capital and skilled personnel and management;
- limitations on insurance;
- failure to obtain industry partner and other third party consents and approvals when required;
- failure to obtain granted patents for applied patents and failure to have patent assignments properly recorded;

- imprecision in estimating capital expenditures and operating expenses;
- fluctuations in pricing environments;
- stock market volatility;
- the impact of new laws and regulatory requirements and other laws and regulations and changes in how they are interpreted and enforced;
- the Company's ability to maintain required regulatory approvals;
- geopolitical, political and economic conditions;
- the results of litigation or regulatory proceedings that may be brought against the Company;
- changes in income tax laws; and
- management's success in anticipating and managing the foregoing factors.

There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update or revise any forward-looking statements that are included herein, except in accordance with applicable securities laws. See "Risk Factors".

An investment in the Company's securities should be considered highly speculative. There is no guarantee that an investment in the Company will earn any positive return in the short or long term. An investment in the Company is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

The Company qualifies all the forward-looking statements contained in this Prospectus by the foregoing cautionary statements.

This Prospectus contains future-oriented financial information and financial outlook information (collectively, "FOFI") about the Company's reasonably estimated prospective results of operations, sales, revenue, and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs, including with respect to economic conditions and proposed courses of action, based on management's assessment of the relevant information available as of the date of this Prospectus or as of the date specified in the documents incorporated by reference herein, as the case may be. Sprout AI disclaims any intention or obligation to update or revise any FOFI contained in this Prospectus, whether as a result of new information, future events or otherwise, unless required pursuant to applicable Canadian securities laws. Neither the Company's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the FOFI contained herein or incorporated by reference herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, such information. Readers are cautioned that the FOFI contained in this Prospectus and the documents incorporated by reference herein should not be used for purposes other than for which it is disclosed herein or therein, as the case may be.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, the market and industry data contained in this Prospectus has been obtained from third-party sources, including independent industry and other publications and the knowledge of and experience of the Company's management in the markets in which the Company operates. While the Company believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third-party sources referred to in this Prospectus or ascertained the underlying assumptions relied upon by such sources.

TRADEMARKS AND TRADE NAMES

This Prospectus includes certain trademarks, such as "Sprout AI", "BeyondFarm" and "BeyondFarming", which are, or are expected to become, protected under applicable intellectual property laws. Solely for convenience, our trademarks and trade names referred to in this Prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

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PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

Principal Business

The Company

Sprout AI is a technology company in the business of planning, designing, manufacturing and/or assembling vertical urban and controlled environment agriculture and farming cultivation equipment comprised of multi-level rolling racks that are populated with self-contained and environment-controlled habitats using its proprietary systems and technologies.

The Company's head office is located at International Business Park, Unit 5B, Building 3860, Panama Pacifico, Republic of Panama and its registered and records office is located at Suite 4300, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

The Company was formed on August 25, 2020 as 1262803 B.C. Ltd. ("**NumberCo**") under the *Business Corporations Act* (British Columbia) ("**BCBCA**"). On May 31, 2021, NumberCo completed the Transaction (as defined below) with TheraCann International Benchmark Corporation ("**TheraCann**") pursuant to which NumberCo: (i) acquired all of the issued and outstanding shares of Sprout AI, S.A. ("**Sprout Panama**"); (ii) changed its name to "Sprout AI Inc"; and (iii) the Company's board of directors ("**Board**") and management team were reconstituted.

Sprout AI, S.A.

Sprout Panama, a wholly-owned subsidiary of the Company, is a limited company incorporated on November 19, 2018 in the Republic of Panama through Public Deed No. 30280. Sprout AI's head office and registered and records office is located at International Business Park, Unit 5B, Building 3860, Panama Pacifico, Republic of Panama and is registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 of October 7, 2019.

TheraCann International Benchmark Corporation

Following completion of the Common Share Offering, TheraCann will, collectively, directly or indirectly own or control approximately 52.63% of the issued and outstanding Common Shares. However, pursuant to an agreement between TheraCann and the Company dated May 31, 2021 (the "**Voting Agreement**"), TheraCann agreed that it will not exercise any voting rights associated with any Common Shares which exceed 49% of the Common Shares outstanding from time to time, notwithstanding the fact that it may own or exercise control over additional Common Shares.

TheraCann was incorporated in May 2017 in the Republic of Panama. TheraCann is a leading global supplier of full turn-key solutions for critical infrastructure for production of the licensed cannabis, hemp, and legal psychedelic products and solutions for urban food sectors, through creation and stabilization of a global supply chain. See "Description of Business – Distribution Agreement with TheraCann".

Securities Exchange Agreement

On May 31, 2021, in accordance a securities exchange agreement (the "**Securities Exchange Agreement**") dated December 8, 2020, among Sprout AI, NumberCo and TheraCann, NumberCo 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 AI was at arm's length to NumberCo and the Transaction was an arm's length transaction.

Following closing of the Transaction, Sprout Panama became a wholly owned subsidiary of the Company and the Company changed its name from 1262803 B.C. Ltd. to Sprout AI Inc.

Management, Directors & Officers

The directors and officers of the Company include the following:

Name	Position(s)
Chris Bolton	Chief Executive Officer and Director
Joshua Lebovic	Chief Financial Officer
Kyle Horak	General Manager, Director
Leanne Likness	Corporate Secretary
Kurtis Kisio	Director

See "*Directors and Executive Officers*".

Use of Proceeds

The gross proceeds paid to the Company from the sale of the Special Warrants pursuant to the Special Warrant Offering were $2,000,000. The Company will not receive any additional proceeds from the Special Warrant Offering upon the deemed exercise of the Special Warrants. Under the Common Share Offering, the Company will raise gross proceeds of $85,000. As at April 30, 2021, the Company had cash of approximately $2,329,780 on a pro forma basis, giving effect to the Transaction, the Offering and certain non-brokered private placements: a Common Share issuance on August 25, 2020, for aggregate gross proceeds of $1; a unit offering on August 31, 2020, at a price of $0.005 per unit, for aggregate gross proceeds of $47,500; a Common Share offering, on September 10, 2020, at a price of $0.05 per Common Share, for aggregate gross proceeds of $250,000; a Common Share offering, on November 18, 2020, at a price of $0.05 per Common Share, for aggregate gross proceeds of $100,000, and a Common Share offering, on December 2, 2020, at a price of $0.05 per Common Share, for aggregate gross proceeds of $100,000 (collectively, the "**Private Placements**").

The Company has used, or intends to use, the net proceeds of the Offering and its other available funds as follows:

Item	Funds Allocated
Funds Available	
Cash of the Company as at April 30, 2021 (including Net funds raised pursuant to the Private Placements)	$544,780
Net funds raised pursuant to the Special Warrant Offering[1]	$1,700,000
Net funds raised pursuant to the Common Share Offering	$85,000

Total Available Funds	**$2,329,780**
Principal Purposes for the Available Funds	
General and Administration	$1,429,780
Assembly Equipment	$250,000
Working Capital	$200,000
Research and Development	$175,000
Ongoing Integration Costs	$150,000
Parts and Inventory	$125,000
Total	**$2,329,780**

Note:
(1) On February 19, 2021, NumberCo loaned Sprout Panama $300,000 pursuant to a promissory note, which was deducted from the gross proceeds of the Special Warrant Offering. On closing of the Transaction, the loan was deemed to be an inter-company loan and the promissory note was eliminated as a result of the accounting for inter-company transactions.

See "*Use of Proceeds*".

Risk Factors

An investment in the Company involves a substantial degree of risk and should be regarded as highly speculative due to the nature of the business of the Company.

The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results include, but are not limited to: limited operating history; no history of profit generation and possibility of losses in the near future; the vertical urban farming market is relatively new and quickly evolving sector and will be subject to additional advancements in technologies relating to cultivation, harvesting, packaging and labeling and distribution may disrupt the Company's potential market share; disruptions in capital markets may impede the speed to bring projects to market as such projects are capital intensive; substantial increases in cost of operations including but not limited to cost of utilities, wages, component parts; substantial decreases in the value of the crops sold, or ability to sell those crops which are perishable; risks inherent in the agricultural business; no assurance of profitability; competition; dependence on partnerships with companies interested in the Company's technology; product pricing; product liability; new and evolving technologies; trade restrictions; commodity prices; natural catastrophes; climate change; transportation disruptions; foreign exchange exposure; dependence on third-party suppliers; dependence on third-party manufacturer; manufacturing costs; intellectual property; cyber security; key executives; risks associated with cross-border trade; failure to realize growth strategy; no public market for the Common Shares; threat of legal proceedings; governmental regulations; environmental risks; uninsured and underinsured losses; accounting estimates; potential conflicts of interest; if the Common Shares are publicly traded they will be subject to various factors that may make the Common Shares' share price volatile; potential dilution; and dividend risk.

Selected Consolidated Financial Information

NumberCo

The following table sets out certain selected financial information of NumberCo for the periods and as at the dates indicated. This information has been derived from the audited financial statements and related notes thereto included in this Prospectus. NumberCo prepares its financial statements in accordance with IFRS. Investors should read the following information in conjunction with those financial statements and related notes thereto, along with the MD&A.

	For the three months period ended February 28, 2021 **(unaudited)** **($)**	**For the 97-day period ended November 30, 2020** **(audited)** **($)**
Total revenues	Nil	Nil
Total net loss and comprehensive loss for the period	94,907	149
Loss per share	0.01	nil [0.00]
Current assets	2,460,308	397,351
Total assets	2,460,308	397,351
Current liabilities	57,864	nil
Total liabilities	57,864	nil
Total shareholders' equity (deficit)	2,402,444	397,351

Sprout Panama

The following table sets out certain selected financial information of Sprout Panama for the periods and as at the dates indicated. This information has been derived from the audited financial statements and related notes thereto included in this Prospectus. Sprout Panama prepares its financial statements in accordance with IFRS. Investors should read the following information in conjunction with those financial statements and related notes thereto, along with the MD&A.

	For the three months period ended January 31, 2021 (unaudited) (US$)	For the year ended October 31, 2020 (audited) (US$)
Total revenues	Nil	Nil
Total net loss and comprehensive loss for the period	312,361	756,696
Loss per share	3,123.61	7,566.96
Current assets	9,666	50
Total assets	1,470,965	1,522,475
Current liabilities	2,512,795	2,204,287
Total liabilities	3,609,334	3,336,656
Total shareholders' deficiency	1,470,965	1,522,475

The Company

The following table contains certain unaudited pro forma consolidated financial information for the Company as at and for the period ended November 30, 2020 and gives effect to completion of the Transaction and the Offering as if they had occurred as of November 30, 2020. This information should be read together with the pro forma financial statements of the Company, attached as Appendix "B", along with the financial statements of NumberCo and Sprout Panama contained elsewhere in this Prospectus.

	Sprout Panama as at October 31, 2020 ($)	NumberCo as at November 30, 2020 ($)	Pro forma as at November 30, 2020 after giving effect to the Transaction and the Offering ($)
Total revenues	Nil	Nil	Nil
Total net loss and comprehensive loss	1,007,768	149	5,748,032

for the period			
Current assets	67	397,351	2,582,418
Total assets	2,027,633	397,351	4,609,984
Current liabilities	2,935,670	nil	2,935,670
Total liabilities	4,443,759	nil	4,443,759
Total shareholders' surplus (deficiency)	(2,416,126)	397,351	166,225

The following table contains certain unaudited pro forma consolidated financial information for the Company as at and for the period ended February 28, 2021 and gives effect to completion of the Transaction and the Offering as if they had occurred as of February 28, 2021. This information should be read together with the pro forma financial statements of the Company, attached as Appendix "B", along with the financial statements of NumberCo and Sprout Panama contained elsewhere in this Prospectus.

	Sprout as at January 31, 2021 ($)	**NumberCo as at February 28, 2021 ($)**	**Pro forma as at February 28, 2021 after giving effect to the Transaction and the Offering ($)**
Total revenues	Nil	Nil	Nil
Total net loss and comprehensive loss for the period	399,197	94,907	5,569,126
Current Assets	12,353	2,460,308	2,147,271
Total assets	1,879,893	2,460,308	4,014,811
Current liabilities	3,211,352	57,864	2,858,826
Total Liabilities	4,612,729	57,864	4,260,203
Total shareholders' surplus (deficiency)	(2,732,836)	2,402,444	(245,392)

See "*Management's Discussion and Analysis*" and "*Risk Factors*".

THE COMPANY

Name, Address and Incorporation of the Company

The Company was formed on August 25, 2020 as 1262803 B.C. Ltd. under the BCBCA. On May 31, 2021, NumberCo completed the Transaction (as defined below) with TheraCann pursuant to which NumberCo: (i) acquired all of the issued and outstanding shares of Sprout AI, S.A.; (ii) changed its name to "Sprout AI Inc"; and (iii) the board and management team were reconstituted. The Company's head office is located at International Business Park, Unit 5B, Building 3860, Panama Pacifico, Republic of Panama.

Name, Address and Incorporation of Sprout AI, S.A.

Sprout Panama, a wholly-owned subsidiary of the Company, is a limited company incorporated on November 19, 2018 in the Republic of Panama through Public Deed No. 30280. Sprout Panama is registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 of October 7, 2019.

Acquisition of Sprout Panama

On May 31, 2021, in accordance a Securities Exchange Agreement dated December 8, 2020, among Sprout Panama, NumberCo and TheraCann, NumberCo acquired all of the issued and outstanding shares of Sprout Panama 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 "**Consideration Warrants**"), subject to the terms and conditions of the warrant certificate evidencing the Consideration Warrants, to TheraCann (the "**Vendor Securities**") 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 Panama and TheraCann were at arm's length to NumberCo and the Transaction was an arm's length Transaction.

Certain of the Vendor Securities will be subject to escrow pursuant to the policies of the CSE. See "*Escrowed Securities*".

As a result of the Transaction, Sprout Panama became a wholly owned subsidiary of the Company and the Company changed its name from 1262803 B.C. Ltd. to Sprout AI Inc. and intends to adopt the trading symbol "SPRT" on the CSE. The former NumberCo shareholders, including the holders SW Shares to be issued upon the exercise of the Special Warrants, will own approximately 38.1% of the issued and outstanding Common Shares of the Company upon completion of the Common Share Offering.

Following the Transaction, the Company's head office will be located at International Business Park, Unit 5B, Building 3860, Panama Pacifico, Republic of Panama, and the registered and records office will be located at 789 West Pender Street, Suite 810, Vancouver BC, V6C 1H2.

Intercorporate Relationships

Before completion of the Transaction, the Company did not have any inter-corporate relationships. The following diagram summarize the structure of the entities following completion of the Transaction.

Sprout AI Inc.
(formerly 1262803 B.C. Ltd.)
(*British Columbia)*

↓

Sprout AI, S.A.
(*Panama)*
(100% owned by the Company)

GENERAL DEVELOPMENT OF THE BUSINESS

Before the acquisition of Sprout Panama, NumberCo had no active business. Accordingly, the business discussion set forth below relates to the business of Sprout Panama, which, following closing of the Transaction, became the business of the Company.

NumberCo

Prior to the Transaction, NumberCo had no active business and was incorporated on August 25, 2020 under the BCBCA for the purpose of becoming a reporting issuer and to list on the CSE.

- On August 25, 2020 NumberCo issued 1 Common Share at a price of $0.01 per Common Share in connection with its incorporation. This Common Share was subsequently repurchased by NumberCo.

- On August 25, 2020 NumberCo issued 100 Common Shares at a price of $0.01 per Common Share.

- On August 31, 2020, NumberCo issued 9,500,000 units at a price of $0.005 per unit as a part of a non-brokered private placement for aggregate proceeds of $47,500. Each unit was comprised of one Common Share and one Common Share purchase warrant. Each warrant entitles the holder thereof to purchase one additional Common Share at an exercise price of $0.02 until August 31, 2021.

- On September 10, 2020, NumberCo issued 5,000,000 Common Shares at a price of $0.05 per Common Share as part of a non-brokered private placement for aggregate proceeds of $250,000.

- On November 18, 2020, NumberCo issued 2,000,000 Common Shares at a price of $0.05 per Common Share as part of a non-brokered private placement for aggregate proceeds of $100,000.

- On December 2, 2020, NumberCo issued 2,000,000 Common Shares at a price of $0.05 per Common Share as part of a non-brokered private placement for aggregate proceeds of $100,000.

- On February 2, 2021, NumberCo issued a total of 11,764,706 Special Warrants at a price of $0.17 per Special Warrant pursuant to the Special Warrant Offering for aggregate proceeds of $2,000,000.

- On May 31, 2021, 9,500,000 warrants were exercised for Common Shares at an exercise price of $0.02 for total proceeds of $190,000.

Sprout Panama

Sprout Panama was formed on November 19, 2018 under the Republic of Panama through Public Deed No. 30280. Sprout Panama, from its formation until the completion of the Transaction, was 100% wholly owned by TheraCann. Immediately prior to closing of the Transaction, 5% of the outstanding shares of Sprout Panama were transferred to Everleaf Capital pursuant to the terms of the advisory engagement between Sprout Panama and Everleaf Capital.

DESCRIPTION OF THE BUSINESS

Business Overview

The Company is committed to both environmental and social sustainability. Its vision is to be a leader in urban vertical cultivation technology by ensuring each harvest is of high quality, producing high yield, and is consistent with the last batch to reduce product variability. To accomplish this vision its mission is to develop an innovative and adaptable solution to the regulatory demands relating to quality, traceability, and audit of crop production.

The Company was formed to plan, design, implement, and support unique vertical automated aeroponic grow habitats and technologies designed to operate within high-density urban settings with access to limited power and water.

The Panama-Pacifico Special Economic Area ("**Panama Pacifico**") was created by the Panamanian Government in 2004. Entities located within Panama Pacifico are allowed to develop all types of economic activities not expressly prohibited by Panamanian legislation, however only profits from specified activities, including manufacturing high technology products or producing goods with cutting-edge technologies, will benefit from full incentives of the regime, namely, "tax-free" status with respect to corporate tax, duty tax and sales tax. There is no legally-required minimum investment for a company to operate in the Panama Pacifico area. However, leasing of space is required within the Panama Pacifico area. Once admitted into Panama Pacifico, there is no expiry to this exemption provided that a company continues to reside within, and is able to maintain operations within, this special zone.

On October 7, 2019, Sprout Panama was accepted as a "high tech" company within Panama Pacifico and as such is provided a "tax-free" status for corporate tax, duty tax, and sales tax. Tax on shareholder dividends is fixed at 0.05%.

Production

Production of the Company is conducted at its Center of Excellence ("**COE**") which is located in Panama Pacifico, Panama.

The COE is comprised of both a two-level open office concept as well as a warehouse designed for large-scale manufacturer, quality assurance, packaging, and shipping of Sprout Panama directly to the Panama Canal. The total building occupies 37,500 sq. ft (3500 sq. m.). The main warehouse is sectioned into inventory receiving, component testing, assembly, final quality testing, packaging, and area for ongoing research and development and new version development. The offices are segmented into tissue culture lab, administrative and operational staff. In 2019 over 600 visitors from governments, regulatory authorities, producers, vendors, and potential clients visited the COE.

Specialized Skill and Knowledge

The Company's executive officers, directors, consultants, employees, and agents have the necessary expertise and experience in medical-grade product cultivation, indoor aeroponic system engineering, industrial manufacturing and logistics, software integration, installation, training, sales and support in addition to global entrepreneurship to drive growth at an international level.

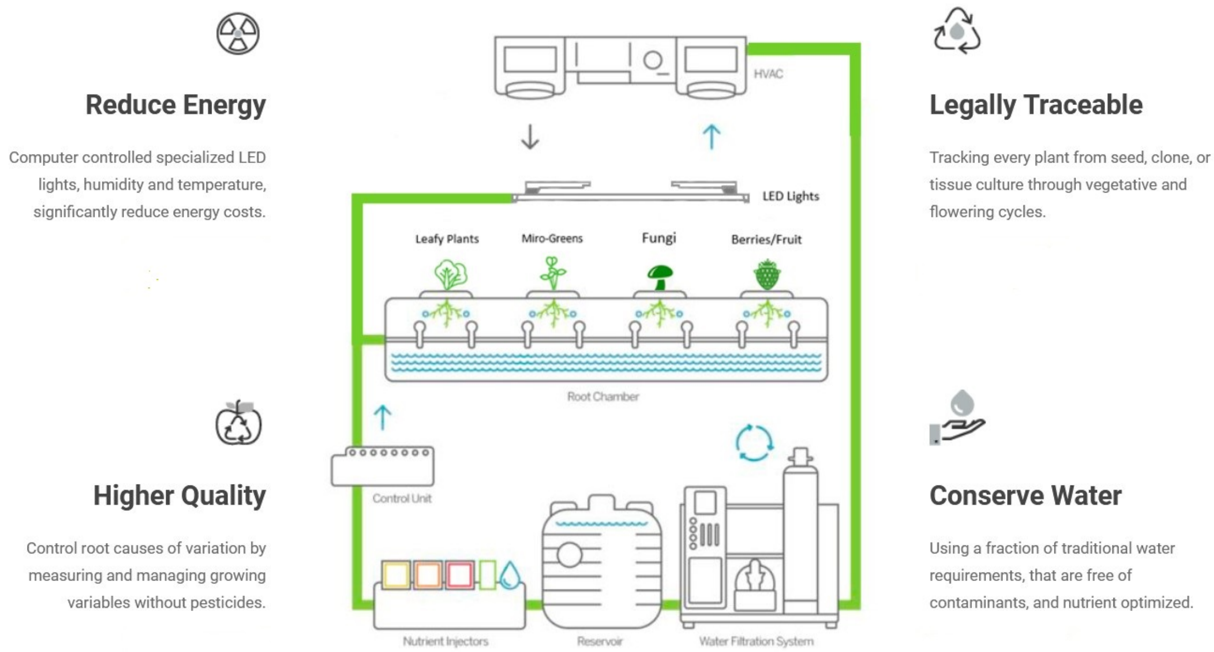
Contractors and Employees

Due to the uncertainties relating to COVID-19's impact on resource mobility and activity level, Sprout Panama changed its focus from employment agreements in Q1 2020 to contractor agreements commencing in Q2 2020. As of April 2021, Sprout Panama had 21 independent contractors and anticipates the conversion of many of these contractor agreements to employment agreements by Q3 2021.

No employees of the Company are represented by a labour union and there is no collective bargaining agreement in place.

The Technology

Sprout AI's proprietary cultivation technology is provided within a 10" long x 5" wide x 6" tall sealed habitat. Sprout AI's habitat is designed to manage multiple crops including leafy green, micro-green, berries, fruit, and is in process of testing for fungi. The number of plants cultivated within each habitat depends largely on the size of the plant grown. On average, a minimum of 32 plants can be grown per habitat.



Each Sprout AI habitat is equipped to manage air temperature, humidity, and quality, water temperature, nutrient level, and quality, light duration and intensity, CO2 duration and intensity. Each habitat is then remotely controlled and managed via a secure web-based software interface module known as the Sprout AI module.

The Sprout AI module can be licensed as a standalone application or together as a fully integrated module to the One System One Solution (OS2) enterprise relational planning and compliance (ERPc) software known as simply as OS2. Sprout AI can be sold separately or as part of a five year Managed Services Agreement (MSA) through Sprout AI's partnership with TheraCann.

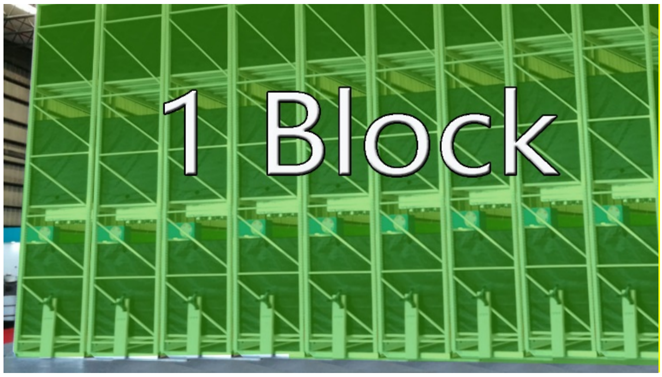
Sprout AI is designed to be completely module and as such can be sold as an individual habitat:

A row of five habitats:

A rack of 15 habitats:

A stack of five racks of habitats:

A block of two stacks of habitats:



Intellectual property

Sprout AI has applied for and is awaiting receipt of the following trademark registrations in respect of the "Sprout AI", "BeyondFarm" and "BeyondFarming" trademarks and trade names and a patent application in respect of the Sprout AI's cultivation technology:

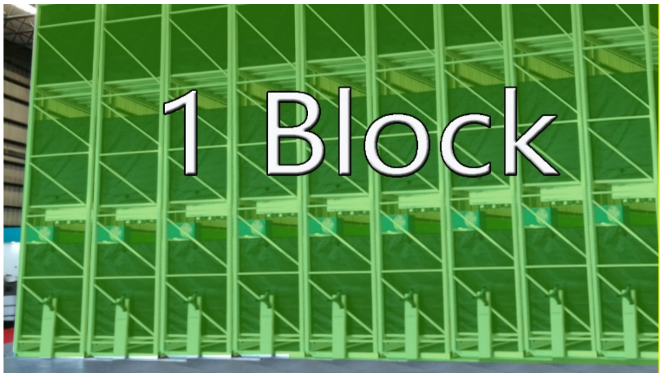
Trademark/Patent	Jurisdiction	Filing Date	Status
Sprout AI Trademark	Panama	December 5, 2020	Pending Application
Beyond Farming Trademark	Panama	December 5, 2020	Pending Application
Beyond Farm Trademark	Panama	December 5, 2020	Pending Application
Sprout AI Patent	Panama	December 5, 2020	Pending Application
Sprout AI Trademark	United States	September 11, 2019	Pending Application
Beyond Farming Trademark	United States	May 11, 2021	Pending Application
Beyond Farm Trademark	United States	May 11, 2021	Pending Application

Advantages of Sprout AI

Sprout AI provides several benefits over hydroponic, fixed row, wall-of-green, and/or special purpose warehouse structures.

As Sprout AI is aeroponic it utilizes a fraction of the water required by hydroponic operations. This reduces the risk for water-born contaminates and offers the benefit of root to develop faster and ensure shorter cultivation cycles and larger plant yields due to increased nutrient utilization.

Sprout AI also utilizes customized rolling rack technology that reduces empty and fixed isle space and when combined with multiple vertical rows vastly increases the cubic cultivation area over a traditional fixed rack, single row cultivation systems.



The advantage of Sprout AI over wall-of-green or open row/rack cultivation technologies is that each habitat is sealed to impede the introduction of outside vectors known to contaminate crops such as chemical, biological, and pest. Were such an outside vector be able to infiltrate one habitat, it is not able to proliferate into other habitats thus limiting its spread and devastation to whole wall / whole warehouse systems. Furthermore, as each habitat is sealed, each can operate on a separate time schedule (light, temperature, and nutrient cycle) which enables different habitats to be scheduled to be harvested at different days or times. When planned properly, a 24/7 continual harvest can be performed whereby each Habitat is harvested/cleaned and put back into production within one hour. As it takes a maximum of two persons to perform this task, and by staggering each habitat to be harvested on the hour, the actual working staff to manage a very large cultivation area is significantly less than traditional harvests that require manage labour for 1-5 days to complete one large crop cultivation.

Sprout AI does not require a special building to be constructed for its use and make use of existing structures. By shifting the burden of air conditioning (AC), air cleansing, lighting, nutrient, and other key performance indicators to inside the habitat itself, Sprout AI can make use of the existing warehouse structure. Provided the warehouse meets food-grade requirements, Sprout AI can be easily scaled up or scaled down to meet local demand without having to substantively modify building infrastructure. This reduces project capital expenditures, reduces the risk of stranded assets, and substantively reduces project commencement cycle time.

Sprout AI's ability to control the major causes of crop variation ensures batch high quality, and unlike most other systems, batch repeatability. Sprout AI is a cultivation system that utilizes both software and hardware to manage the primary root causes of variation within each plant batch. Sprout AI hardware is managed and controlled by the OS2 software. The OS2 software is an ERPc software that records and manages Sprout AI hardware related to plant zone temperature, humidity, light, and CO2, as well as root zone temperature, nutrient level, pH, EC, and TDS. Grow plans are designed to meet the specific needs of each plant in order to ensure batch optimization that includes higher yield and reduced cycle time.

By being able to measure, control, and adjust main variables such as light intensity and duration, plant body temperature, plant root temperature, humidity, nutrient type and quantity, feeding duration etc., Sprout AI can record a "grow plan" that can be replicated in another habitat. This ensures that each batch is as close to identical as the last batch and when combined with TheraCann's plant tissue culture technology, each batch can be a "clone" of the last batch.

Contamination Mitigation

Contamination is introduced as an uncontrolled vector to plant growth either as chemical, biological, pest, or foreign matter.

By sealing the habitats and separating the plant body (upper habitat) from the plant root (lower habitat) contaminates in one area are not able to freely travel to the other.

In the upper habitat, Sprout AI utilizes TheraCann's "TheraAIR" technology, which rapidly circulates air continually during the cultivation phase utilizing a complex set of filters and ultraviolet light (UV) to capture and destroy up to 99.9% of biological contaminants including mold spore, bacteria, and virus, as well as pests and foreign objects. Sprout AI also utilizes adapted SURNA air conditioning technology, that manages and controls the air temperature, while QUEST Technology's dehumidification technology manages air humidity. By controlling air humidity, temperate, and air-born particulate, Sprout AI can maintain a hermetic cultivation environment.

In the lower habitat, Sprout AI utilizes reverse osmosis (RO) filtered cultivation water that has been passed through ultraviolet (UV) light and adjusted for pH and electrical conductivity (EC).

Nutrients levels are pre-determined by the Sprout AI Module nutrient schedule and delivered on a pre-programmed basis. Sprout AI utilizes modified BiFarm's chamber technology to ensure continual misting of the roots utilizing multiple nozzle heads while maintaining root temperature. By controlling water pH, EC and quality, root temperature, root moisture, and nutrient level, Sprout AI can maintain a hermetic cultivation environment.

Sprout AI components are designed to be easily cleaned. Surfaces are either coated with anti-biocidal materials, are flat, with no corners that cannot be reached for sterilization. By ensuring that the habitat itself is easy to clean and sterilize, the risk of any ongoing contamination from one batch to the next is significantly reduced.

Benefits of Indoor Cultivation

There are multiple expected benefits from vertical farming practices:

- **Local Availability**. Vertical farming aims to achieve consistent, year-round local supply of indigenous and non-indigenous produce that is agnostic to seasons, climates, weather and geographies.
- **Environmentally Friendly**. Vertical farming can achieve up to 95% water savings over traditional methods[1], provides a significant reduction in fossil fuel required to plant, sow, fertilize and transport crops, and reduces land use and biodiversity disturbances.
- **Risk Mitigation**. Vertical farming provides mitigation against natural disasters such as hail and wildfires that can wipe out entire crops, droughts and infestations that can adversely impact yields, and supply chain impacts such as Covid-19.
- **Consistent Quality**. Controlled, repeatable growing conditions allow for consistent quality produce that can be rapidly delivered to local markets and reduces the number of perishables from long distance shipping.
- **Organic Preferences**. Consumer preferences are evolving to more natural, organic products[2]. The controlled environment of vertical farming reduces the need for chemicals and pesticides.
- **Enhanced Food Safety.** The tracking and recall of locally grown produce serving a local market is significantly more manageable than produce grown in international jurisdictions and shipped long distances to a broad network of end markets.
- **Feeding a Growing Population.** Vertical farming can be 100x more productive than traditional methods[3], providing a solution to feed a growing global population amid a decrease in arable land per capita.[4]

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[1] "How Sustainable Is Vertical Farming? Students Try to Answer the Question." December 2015. Columbia University Earth Institute. https://blogs.ei.columbia.edu/2015/12/10/how-sustainable-is-vertical-farming-students-try-to-answer-the-question/

[2] "Organic Foods Market Size, Share & Industry Analysis, By Raw Material/Commodity (Fruits and Vegetables, Cereals and Grains, Others), By End-use (Bakery & Confectionery, Ready-to-eat food products, Breakfast Cereals, Processing Industry, Others), By Distribution Channel (Direct Market, Processing Industry) and Regional Forecast 2019-2026". January 2021. Fortune Business Insights. https://www.fortunebusinessinsights.com/industry-reports/organic-foods-market-101470

Relationships and Partnerships

Everleaf Capital is a Canadian based company that assists companies based in Canada, the United States and internationally seek and complete major transactions to further expand their business through, among other things, mergers and acquisitions and investment. On October 2, 2020, Sprout Panama entered into an advisory services agreement with Everleaf Capital whereby Everleaf Capital agreed to provide strategic advisory services to Sprout Panama.

Distribution Agreement with TheraCann

The Company has a sales team tasked with finding, building and supporting sales and customer relationships. In addition, the Company entered into a distribution agreement with TheraCann dated as of September 1, 2020 (the "**Distribution Agreement**"), pursuant to which TheraCann was appointed as non-exclusive distributor for the purpose of marketing, selling, providing training and support for Sprout AI units being delivered to TheraCann client project locations. TheraCann has provided services to Federal Governments and/or interested corporate parties wishing to obtain a turn-key solution for indoor cultivation projects in 22 countries including countries in North, Central, and South America, Oceana, Africa, and Europe. Sprout AI has been featured as its primary indoor cultivation technology. The Distribution Agreement represents an additional pathway to sales, in addition to the Company's independent efforts, namely, the existing client network of TheraCann. Under the terms of the agreement, TheraCann has agreed to offer, advertise, demonstrate and otherwise promote the sale of the Sprout AI units in the jurisdictions where TheraCann's clients operate throughout the term of the agreement.

The Distribution Agreement has an initial term of five years and renews automatically for successive 12-month terms unless either party provides written notice of non-renewal at least 90 days prior to the end of the then-current term, or unless terminated earlier. Early termination is only available upon the occurrence of an event of default, or for convenience within the first 12 months of the agreement on 90 days written notice. The agreement contains mutual non-solicitation provisions and the price of the goods is fixed pursuant to the payment schedule. 50% payment for all orders occurs at the time of placing the order, with the balance due prior to shipment, but not later than 5 business days after the Company notifies TheraCann that a portion or all of the order is ready to ship. TheraCann operates as an independent contractor to the Company, and is solely responsible for all TheraCann employees. TheraCann has agreed to maintain a marketing, sales, and service support team, and facilities and personnel in the corresponding distribution territory, at its own expense as required to promptly and satisfactorily perform its obligations under the agreement. The Company has agreed to provide service and maintenance training, without charge, to TheraCann's personnel. Pursuant to the agreement, the Company has agreed to notify TheraCann of any new goods that the Company produces and distributes generally to all of its customers, or proposes to produce and distribute generally to all of its customers. TheraCann may then request distribution rights for that product within the territory contemplated in the agreement, and if so requested, the Company must add such new products into the scope of the agreement. This does not apply to goods that are manufactured by third parties.

Sprout AI Installation and Sales Pipeline

Sprout AI version 1.1 is currently installed and in operation at the COE at Panama Pacifico, Republic of Panama. Version 1.1 is comprised of one rack consisting of three rows of five habitats each. Currently, Sprout's habitats have successfully produced a number of varieties of leafy green and microgreen products at the COE. Sprout AI is actively seeking a project with one or more of the existing Panama grocery store chains to provide products and to measure key performance indicators of Sprout AI produce

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[3] "Plant Factory: An Indoor Vertical Farming System for Efficient Quality Food Production". 2016. Academic Press, an imprint of Elsevier Inc. Edited by Toyoki Kozai, Genhua Niu and Michiko Takagaki.
[4] "Arable land (hectares per person)." April 2021. The World Bank Group. https://data.worldbank.org/indicator/AG.LND.ARBL.HA.PC

to existing traditional produce with aim of securing a long term supply agreement. Sprout AI is currently using its facility in Panama to study how to further improve cultivation capabilities and growth cycles in the habits.

In the past six months Sprout AI has obtained three sales orders from TheraCann for Sprout AI habitats. The current sales orders are with three separate TheraCann clients are located in New Zealand, South Africa and Zimbabwe, strategically chosen for their lower level of COVID-19 related economic disruption. Each sales order is the first of a three year quarterly rolling order for Sprout AI units.

The habitats are being sold for US$15,000 each and require a 50% order commencement fee and the remaining 50% purchase payment on shipment from Panama. The orders are expected to commence in 2021 with an increase in quarterly deliveries through 2022 and completing by early 2024. There can be no assurances that the full potential of these sales orders can be realized until both the commencement fee and remaining purchase payment has been received for each sales order of each rolling order. In April 2021, Sprout AI issued an invoice for an initial 140 habitats and expects to receive a commencement fee of US$1,050,000 on or prior to May 21, 2021.

In the past three months Sprout AI has launched an updated web page, social media, and marketing materials to attract new potential buyers of Sprout AI. The full potential of this marketing campaign has not yet been realized but is expected to be well underway by Q3 2021. Over the next three years, Sprout AI expects to close current sales in New Zealand, South Africa and Zimbabwe and identify new buyers, with a focus on the North American market.

Industry Analysis

The global vertical farming market size stood at US$2.13 billion in 2018, and is projected to reach US$12.04 billion by 2026, exhibiting a compound annual growth rate of 24.8% during the forecast period.[5] Rising concern towards organic food among consumers pertaining to increasing health issues is expected to elevate the global vertical farming market. In addition, increasing demand for high-quality food, technological advancements in agriculture techniques, and growing urbanization are some of the significant factors impacting global vertical farming industry growth. With the unprecedented growth of the world population, the demand for urban agriculture is increasing.[6]

Select participants in the indoor farming market include AeroFarms, LLC ("**AeroFarms**"), Bowery, Inc. ("**Bowery**"), BrightFarms Inc. ("**BrightFarms**"), CubicFarm Systems Corp. ("**CubicFarm**"), Indoor Urban Farming GmbH ("**InFarm**") and Plenty Unlimited Inc. ("**Plenty**"), all of which are private companies with limited publicly available information except CubicFarm which is listed on the CSE and AeroFarms which is pursuing a NASDAQ listing.

AeroFarms was founded in 2004 and is based in Newark, NJ. Its indoor farm is located in New Jersey and an additional farm in Virginia is expected to be open in 2021. It is also opening a research facility in Abu Dhabi in 2021. The product mix includes micro arugula, baby arugula, baby bok choy, micro brocolloi, micro kale, baby kale, baby watercress, micro rainbow mix, micro spicy mix and micro super mix, and is sold to the local market through Amazon Fresh and Whole Foods, among others. In March 2021, AeroFarms announced it was going public through a SPAC (www.aerofarms.com).

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[5] "Vertical Farming Market Size, Share & Industry Analysis, By Type (Hydroponics, Aeroponics, and Aquaponics), By Structure (Building-Based, Shipping-Container), By Component (Lighting System, Irrigation and Fertigation System, Climate Control, Sensors, and Others) and Regional Forecast", 2019 - 2026." January 2020. Fortune Business Insights. https://www.fortunebusinessinsights.com/industry-reports/vertical-farming-market-101958

[6] "Vertical Farming Market Size, Share & Industry Analysis, By Type (Hydroponics, Aeroponics, and Aquaponics), By Structure (Building-Based, Shipping-Container), By Component (Lighting System, Irrigation and Fertigation System, Climate Control, Sensors, and Others) and Regional Forecast", 2019 - 2026." January 2020. Fortune Business Insights. https://www.fortunebusinessinsights.com/industry-reports/vertical-farming-market-101958

Bowery was founded in 2014 and is based in New York, NY. It has a research facility in New Jersey and indoor farming operations in New Jersey and Maryland serving the local and surrounding areas. The product mix includes arugula, baby butter, baby kale, baby kale mix, baby romaine, basil, bok choy, cilantro, crispy leaf, green sorrel, parsley and spring mix, and is sold through Giant Food, Safeway and Whole Foods, among others (www.boweryfarming.com).

BrightFarms was founded in 2011 and is headquartered in Irvington, NY. It has indoor farming operations in Illinois, Ohio, Pennsylvania and Virginia, with three new farms currently under development in North Carolina, Massachusetts and Texas. The product mix includes Sunny Crunch®, baby spinach, spring mix, baby arugula, baby butter, spring crunch, Harvest Crunch®, 50/50 spring and spinach, baby romaine and basil, and is sold to more than 2,000 stores in local markets through Ahold Delhaize, Kroger and Walmart, among others (www.brightfarms.com).

CubicFarm was founded in 2015 and is based in Langley, BC. It sells automated, self-contained indoor growing machines to grow commercial-scale quantities of plants, fresh produce and livestock feed (www.cubicfarms.com).

InFarm was founded in 2013 and is based in Berlin, Germany. InFarm produces 25 different products including a variety of greens and herbs and is currently expanding into 10 countries, including Asia and North America. It has supply deals with major food retailers including Germany's Aldi, Marks and Spencer in Britain and Kroger in the United States (www.infarm.com).

Plenty was founded in 2014 and is headquartered in San Francisco, CA. It currently has a research facility in Laramie, WY and its flagship indoor farm is located in San Francisco, CA where it sells four different products (baby arugula, baby kale, lettuce, mizuna mix) to the local market through Albertsons, Safeway and Whole Foods, among others. Their new Compton, CA facility is set to open in 2021 (www.plenty.ag).

Sprout AI Systems

Sprout AI is a combination of proprietary technology systems that are integrated by one common software module known as the Sprout AI module.

This module when made available within the One System One Solution (OS2) enterprise resource planning and compliance (ERPc) software provides for a complete, robust, food-grade compliant, EU GMP compliant, vertical indoor farming solution.

Sprout AI systems are based upon the use of its aeroponic system of crop fertigation. Aeroponics, of all the other growing systems, including hydroponics and aquaponics, uses the least amount of water, has the lowest risk of plant contamination, and provides the roots of the plant with the most optimal way to absorb nutrients. This is done by suspending the root in the air and misting the roots with purified nutrient-rich water. In essence, ensuring that the plants are grown safely and without the need for chemicals or pesticides. The nutrients are mixed precisely to ensure maximum absorption and plant growth.

Sprout AI's disruptive advantage is that although in the past it has been difficult for indoor vertical farmers to monitor the aeroponic system's functionality, the use of the Sprout AI module measures, records, monitors, and manages the day to day operations. The Sprout AI system is designed to learn over time to better control nutrient levels and nutrient introductions as well as the other systems listed below.

In addition to the Sprout AI aeroponic system is the Sprout AI lighting system comprised of LED lights to minimize power consumption, significantly reduce heat generation, optimize light intensity and duration to ensure maximum plant production. This lighting system is also measured, recorded, monitored, and managed by the Sprout AI module.

The Sprout AI aeroponic system also includes an advanced air filtration system designed to capture and destroy air-borne particles including mold, bacteria, viruses, pests, and foreign matter. This ensures 99.9% air purity during cultivation.

This air filtration system is also measured, recorded, monitored, and managed by the Sprout AI module.

The Sprout AI aeroponic system also includes an advanced air temperature and humidity system designed to optimize plant growing environments. Each crop may require different humidity, and temperature in combination with light intensity, duration and root temperature, and nutrition. This air temperature and humidity system are also measured, recorded, monitored, and managed by the Sprout AI module.

Lastly, Sprout AI continues to develop new plant configurations and technologies to further reduce crop cycle time, increase crop yield, and reduce the cost of crop cultivation.

Facility Type

Urban farming is commonly used to reference greenhouse or indoor vertical farming. Sprout AI is focused solely on indoor vertical farming utilizing existing warehouses that are currently, or easily modified to be food grade compliant.

Unlike greenhouse farms, indoor vertical farms are designed to maximize the vertical space of the cultivation facility.

Indoor vertical farms can provide more cultivation area through the use of multiple vertical rows than a traditional single row greenhouse. Consequently, the cost of an indoor vertical farm on a cultivation cubic meter basis is often lower than that of a greenhouse.

Indoor vertical farms have been expressed in a variety of different ways but can be grouped into the vertical wall, open space, and container farms.

Vertical wall farms are "walls-of-green" that may be positioned on a gravity-driven conveyor belt or involve a fixed wall with holes for plants or a vertical pipe with holes for plants. The challenge with these walls is accessibility and the fact that they are almost entirely hydroponic resulting in excess humidity, condensation, and risk of total crop failure due to contamination.

Open space farms either utilize a customized existing warehouse or are constructed as a new building warehouse that monitors and manages the environment for the entire building envelope. This often requires significant investment in heating and ventilation, and air filtration systems as well as infrastructure to provide nutrients to rack upon rack of leafy green. Newer open space farm provides their cultivation rows on rolling racks but historically have been fixed rack resulting in a large amount of space lost to cultivation. Open space farms suffer the same issue as vertical wall farms in that they are almost entirely hydroponic resulting in excess humidity, condensation, and risk of total crop failure due to contamination.

Container farms make use of existing shipping containers (otherwise known as sea cans) and can be often stacked with fixed staircases and cat-walks to access the containers. The standard width is 8' height 8' and length between 20' and 40'.

These narrow grow rooms require an isle either in the center or against the side wall limiting cultivation area.

Provided the containers are adequately equipped with cultivation systems including light, air, fertilizer, and water they can be effective growing rooms. However, when compared to Sprout AI, the vertical growing area of Sprout AI when on rolling racks will out produce the same number of plants of a container farm within the same warehouse area with a typical ceiling height of 35'.

Crop Selection

To ensure competitiveness and profitability, indoor farm locations must select the right balance of type of crop and the number of plants to be cultivated. Indoor cultivation favors leafy greens, micro-greens, fungi, berry, and for those jurisdictions that legally permit it, the cultivation of plant-based medicines. Choosing the right balance of crops and the number of plants per crop will largely be determined by several factors.

The main factors for indoor cultivation are operating costs, supply chain costs, speed-to-table (time from germination to customer purchasing), local demand for specific crop types, and local crop pricing.

As the main value proposition of indoor farms is fewer supply chain costs, speed-to-table, and the ability to easily swap crops or tailor multi-crops within one location, several key drivers have emerged. First, plant density per cubic meter favors plants that are short and narrow, enabling vertical farms to maximize their cubic meter of operations. Second, the crop cycle time from seed, cutting, or clone must be measured in weeks, insuring fast inventory turnover and steady revenue. Third, providing additional value through offering off-season, highly perishable, or medical-grade crops will ensure higher profits.

For example, providing organic berries in winter, organic microgreens during the off-season or specific cannabis crops with specified terpenes and cannabinoids to match a specific medical requirement will fetch a higher price than only cultivating a single crop of leafy greens.

Possessing the necessary technology, experience, and skill provided by Sprout AI to select multiple crops and plant numbers while offsetting harvest date and time to permit perpetual 24/7 hourly harvest provides an optimal solution to the urban vertical farmer.

Industry Strategies

Sprout AI has two primary industry strategies to pursue depending on the jurisdiction in which it will operate.

Firstly, Sprout AI is positioned as a turn-key solution to grocery supply chains, individual grocery stores, medical plant producers, plant-based medical research and development, and restaurant chains. Several companies are targeting these same vertical markets on the basis that their technology and/or services will assist them to better bring their products to market. Although some companies may see this as a one-time sale, Sprout AI sees this as a perpetual-style sale in being able to replace and or upgrade habitats during the life of their warranty. When the same is part of a TheraCann sale, the sale includes ongoing training, maintenance, and serviceability that also may include upgrade and or replacement during the life of the managed services agreement.

Secondly, Sprout AI when combined with TheraCann can plan, design, implement and manage its urban vertical farm in markets that may be difficult to find sales in the above-mentioned verticals. Many companies that develop their technology are also now selling their vertical farm crops directly to local markets. Sprout AI is looking to make a hybrid model by entering joint ventures with companies that do not wish to manage the vertical farm facility but do with to provide the capital in exchange for project equity and dividend opportunities.

Current Positioning and Competitive Advantages

Sprout AI as a turn-key solution is highly disruptive to existing vegetable and fruit food supply chains. If positioned properly, Sprout AI can cultivate on-demand specialty orders for end-user customers within an urban setting by offering short-run crops that can later be delivered or picked up directly by the end-user within proximity to their home. Thus eliminating traditional food supply chain players and reducing the time needed to harvest, collect, process, and distribute its crops, Sprout AI can both reduce time to table and supply chain costs. As Sprout AI's footprint is relatively small, and as it can be scaled like building blocks, it can easily expand or shrink to meet local demand. This enables unused habitats to be disassembled and shipped to other locations if necessary. Furthermore, by providing fully integrated systems, Sprout AI can provide farmers, including consumers, with key performance indicators through Sprout AI secure web-based module. In so doing Sprout AI can receive a request to produce specialty crops and effectively operated with little or no advanced training or specialized skill. Making Sprout AI as plug n' play as possible means that Sprout AI can be set-up in the fraction of the time necessary for its competitors to modify locations and/or add substantial infrastructure.

Three-Year History

Sprout Panama was incorporated in November 2018 and took occupancy in the COE in Panama Pacifico's High Technology park in December 2018. Between November 2018 and February 2019 Sprout Panama assembled its first "rack" of Sprout AI cultivation habitats measuring 10' long x 5' wide x 6' tall, 5 habitats per row, 3 rows high for a total of 15 habitats. From February 2019 to February 2020 improvements to its aeroponic, air, fertigation, and lighting systems were completed, including the design and implementation of the Sprout AI secure web-based module to monitor and automate day to day operations of each habitat. During this period multiple crops were cultivated from seed or cutting through to final harvest to confirm and further improve habitat design, operation, automation, and ability to manage outside vectors including pests, inspect mold, virus, and bacteria. During this period, not a single crop was lost, all crops were grown without the use of pesticides, and consumed by local staff to provide feedback with regards to appearance, taste, and texture. From March 2020 to October 2020 the COE was mandatorily closed due to COVID-19 quarantine restrictions. From February 2020 to the present Sprout AI has been marketing its habitats to prospective indoor cultivation customers. The Company currently has a total of 10 habitats fully on line and in cultivation of multiple crops, including basil, pak choi, lettuce, thyme, carrot, chamomile, coriander, oregano, bell pepper, onion, arugula and celery.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Please refer to the management's discussion and analysis of NumberCo for the period from August 25, 2020 to November 30, 2020 and for the three months ended February 28, 2021 and the management's discussion and analysis of Sprout Panama for the financial years ended October 31, 2020, the period from November 19, 2018 to October 31, 2019 and the three months ended January 21, 2021, attached hereto at Appendix "A".

USE OF PROCEEDS

Proceeds

Under the Common Share Offering, the Company will raise gross proceeds of $85,000.

Funds Available

The gross proceeds paid to the Company from the sale of the Special Warrants pursuant to the Special Warrant Offering were $2,000,000. The Company will not receive any additional proceeds from the Special Warrant Offering upon the deemed exercise of the Special Warrants. As at April 30, 2021, the Company had cash of approximately $2,329,780 on a pro forma basis, giving effect to the Transaction, the Offering and the Private Placements.

The Company has used, or intends to use, the net proceeds of the Offering and its other available funds as follows:

Item	Funds Allocated

Funds Available

Cash of the Company as at April 30, 2021 (including Net funds raised pursuant to the Private Placements)	$544,780
Net funds raised pursuant to the Special Warrant Offering[(1)]	$1,700,000
Net funds raised pursuant to the Common Share Offering	$85,000
Total Available Funds	$**2,329,780**

Principal Purposes for the Available Funds

General and Administrative[(2)]	$1,429,780
Assembly Equipment	$250,000
Working Capital	$200,000
Research and Development	$175,000
Ongoing Integration Costs	$150,000
Parts and Inventory	$125,000
Total	**$2,329,780**

Notes:
(1) On February 19, 2021, NumberCo loaned Sprout Panama $300,000 pursuant to a promissory note, which was deducted from the gross proceeds of the Special Warrant Offering. On closing of the Transaction, the loan was deemed to be an inter-company loan and the promissory note was eliminated as a result of the accounting for inter-company transactions.
(2) Estimated general and administrative costs are described in the table below. The Company's monthly burn rate for its general and administrative expenses is expected to be approximately $120,000 per month.

Management of the Company will retain broad discretion in allocating the net proceeds of the Special Warrant Offering and the Common Share Offering and the Company's actual use of the net proceeds will vary depending on the availability and suitability of investment opportunities and its operating and capital needs from time to time.

The Company's intended use of proceeds accounts for the impacts and effects of COVID-19 that are currently known. Future developments, which the Company cannot currently predict, may require the Company to adjust, delay or postpone, either temporarily or permanently, any intended use of proceeds. New or revised directives of various levels of the Panamanian, Canadian and international governments and public health authorities in such jurisdictions, the status of labour or equipment availability and the ability to staff facilities, are all factors that could have an adverse impact on the Company's plans. See "*Risk Factors –COVID-19*".

The Company estimates that the working capital of the Company will be sufficient to meet its general and administrative costs for the 12-month period following the date of this Prospectus. Estimated general and administrative costs for such 12-month period are comprised of the following:

Purpose	**Cost**

Audit fees	$30,000.00
Legal fees	$65,000.00
Investor relations and transfer agent fees	$60,000.00
Consulting fees	$30,000.00
Salary Executives[(1)]	$345,000.00
Salary Non-Executives	$342,000.00
Director fees	$0.00
Office, rent and other	$462,780.00
Regulatory and filing fees (including CSE listing fees)	$75,000.00
Travel expenses	$20,000.00
Total	**$1,429,780**

Note:
(1) The actual salaries to be paid to executive officers will be determined by the Board and are not known at present. See "Executive Compensation".

Sprout AI has had a history of losses and had negative operating cash flow for its financial year ended November 30, 2020. Management expects that the Company's existing cash and cash equivalents balance will be adequate to meet the Company's expansion of facilities and operational activities in the near term. However, the Company may seek additional financings through the issuance of debt or equity to support further expansion and research and development activities and seek additional non-dilutive government grants and subsidies that are available. The Company may, however, be required to use some or all of the net proceeds from the Special Warrant Offering and the Common Share Offering to fund its cash working capital requirements and negative cash flows. Although the Company is expected to become profitable, there is no guarantee that will happen, and we may never become profitable. It is anticipated that the Company will continue to have negative cash flow from the operating activities for the foreseeable future and will require additional financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all. See "*Risk Factors – Negative Cash Flow from Operations*".

Business Objectives and Milestones

The Company's business objectives for the 12-month period following the date of this Prospectus are described in the table below. The Company expects to have sufficient funds available to fund its business objectives within 12 months without requiring additional sources of funding.

Business Objectives	Timeline	Expected Cost
Ramp up capacity to assemble and deliver Sprout AI orders from COE in Panama.	Increased capacity expected on or before September 2021.	$525,000 for assembly equipment, further integration of components, parts and inventory[(1)]

Continue to refine the operation and integration of additional Sprout AI system components.	New version of Sprout AI available for delivery on or before September 2021	$175,000[(2)]

Notes:
[(1)] Represents the sum of "Assembly Equipment", "Parts and Inventory" and "Ongoing Integration Costs" referred to in the "Principal Purposes for the Available Funds" table above.
[(2)] Represents the "Research and Development" referred to in the "Principal Purposes for the Available Funds" table above.

PLAN OF DISTRIBUTION

This Prospectus is being filed in the Qualifying Jurisdictions to qualify the distribution of 12,264,706 Common Shares.

The Company has applied to list its Common Shares (including the SW Shares and the Offered Shares) and all Common Shares issuable on exercise or conversion the Warrants and Consideration Warrants.

On February 2, 2021, the Company completed the Special Warrant Offering, pursuant to prospectus exemptions under applicable securities legislation. In connection with the Special Warrant Offering, the Company issued the Special Warrants in the Qualifying Jurisdictions on a private placement basis at a price of $0.17 per Special Warrant.

The Company will issue 500,000 Offered Shares at a price of $0.17 per Offered Share to raise gross proceeds of $85,000 in order to meet the shareholder distribution requirements of the CSE. No commission is payable in respect of the Common Share Offering.

Subject to the terms and conditions of the Special Warrants, each of the Special Warrants entitles the holder thereof to acquire, upon deemed exercise on the Qualification Date, one SW Share, subject to adjustment in certain circumstances, without payment of any additional consideration.

The Special Warrants will be deemed to be exercised on the date that is the earlier of (a) the Outside Exercise Date, and (b) the fifth business day following the date on which a Final Receipt has been issued, at which time each Special Warrant shall be automatically exercised for one SW Share, subject to adjustment in certain circumstances, without payment of any additional consideration and without further action on the part of the holder.

No additional proceeds will be received by the Company in connection with the issuance of the Qualified Shares upon deemed exercise of the Special Warrants.

In the event of certain alterations of the outstanding Common Shares, including any subdivision, consolidation or reclassification, an adjustment shall be made to the terms of the Special Warrants such that the holders shall, upon the deemed exercise of the Special Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Special Warrants prior to the occurrence of those events. No fractional Common Shares will be issued upon the deemed exercise of the Special Warrants. The holding of Special Warrants does not make the holder thereof a shareholder of NumberCo or entitle the holder to any right or interest granted to shareholders.

As of the date hereof, the CSE has conditionally accepted the listing of the Common Shares. The listing of the Common Shares will be subject to the Company fulfilling all of the listing requirements of the CSE, which cannot be guaranteed.

As at the date of this Prospectus, Sprout AI does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the U.S. or to, or for the account or benefit of, U.S. Persons. The Common Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the U.S. and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Special Warrants may not be exercised by or on behalf of a U.S. Person or a person in the U.S. unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available. Accordingly, the Common Shares will bear appropriate legends evidencing the restrictions on the offering, sale and transfer of such securities.

LISTING APPLICATION

An application has been filed by the Company to have its Common Shares listed for trading on the CSE. The CSE has conditionally approved the listing of the Common Shares. Listing is subject to the Company fulfilling all the listing requirements of the CSE. There is no guarantee that the Common Shares will be listed on the CSE.

DESCRIPTION OF SHARE CAPITAL

The following describes the material attributes and characteristics of Spout AI's share capital, which may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of Spout AI's articles of incorporation (as the same may be amended from time to time, the "**Articles**").

Authorized Capital

Spout AI is authorized to issue an unlimited number of Common Shares. As of the date of this Prospectus, there were 78,000,100 Common Shares issued and outstanding.

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the Board of Directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Warrants

As of the date of this Prospectus, the Company has issued 10,000,000 performance based Consideration Warrants exercisable at a price of $0.17 per Common Share, subject to the satisfaction of certain revenue based milestones, until May 31, 2024.

Special Warrants

Subject to the terms and conditions of the Special Warrants, each of the Special Warrants entitles the holder thereof to acquire, upon deemed exercise on the Qualification Date, one SW Share, subject to adjustment in certain circumstances, without payment of any additional consideration.

The Special Warrants will be deemed to be exercised on the Qualification Date that is the earlier of (a) the Outside Exercise Date, and (b) the first business day following the date on which a receipt for a Final Receipt has been issued, at which time each Special Warrant shall be automatically exercised for one SW Share, subject to adjustment in certain circumstances, without payment of any additional consideration and without further action on the part of the holder.

The Special Warrants were purchased by subscribers pursuant to private placement exemptions from the prospectus requirements in the Qualifying Jurisdictions in compliance with laws applicable to each such subscriber, respectively. There is no market through which the Special Warrants may be sold and none is expected to develop. Pursuant to the terms and conditions of the Special Warrants, the Special Warrants will be deemed to be exercised on the first business day following the date the final Receipt for this Prospectus is issued.

CONSOLIDATED CAPITALIZATION

The following table sets out the Company's capitalization after giving effect to the Offering, the Transaction, including the Vendor Securities.

The table should be read in conjunction with the financial statements and notes thereto included elsewhere in the Prospectus.

Security	As at the date of this Prospectus	After giving effect to the Offering and the Transaction
Common Shares	78,000,100	90,264,806

OPTIONS TO PURCHASE SECURITIES

Stock Option Plan

The Company has not adopted a stock option plan.

Outstanding Options

There are no outstanding options to purchase securities of Sprout AI as of the date of this Prospectus.

PRIOR SALES

The Company

This table sets out particulars of the Common Shares that have been issued or sold within the 12 months prior to the date of this Prospectus.

Date of Issuance	Security Type	Number of Securities	Issue/Exercise Price
August 25, 2020	Common Share	1[1]	$0.01
August 25, 2020	Common Shares	100	$0.01
August 31, 2020	Common Shares	9,500,000	$0.005
September 10, 2020	Common Shares	5,000,000	$0.05

November 18, 2020	Common Shares	2,000,000	$0.05
December 2, 2020	Common Shares	2,000,000	$0.05

This table sets out particulars of the securities exercisable or exchangeable into Common Shares that have been issued or sold within the 12 months prior to the date of this Prospectus.

Date of Issuance	Security Type	Number of Securities	Issue/Exercise Price
August 31, 2020	Warrants(2)	9,500,000	$0.02
February 2, 2021	Special Warrants	11,764,706	$0.17

(1) Incorporator's share subsequently repurchased by the Company.

(2) Issued pursuant to an offering on a non-brokered private placement basis of units at a price of $0.005 per unit. Each unit consisted of one Common Share and one warrant, with each warrant entitling the holder thereof to purchase one Common Share at an exercise price of $0.02 at any time prior to August 31, 2021. All of the warrants were exercised on May 31, 2021.

Sprout Panama

Sprout Panama has not issued shares or securities convertible into shares in the last 12 months prior to the date of this Prospectus.

ESCROWED SECURITIES

Escrow Agreements

National Policy 46-201 – *Escrow for Initial Public Offerings* ("**NP 46-201**") provides that all shares of an issuer owned or controlled by its Principals will be escrowed at the time of the issuer's initial public offering. At the time of its initial public offering, an issuer will be classified for the purposes of escrow as either an "exempt issuer", an "established issuer" or an "emerging issuer" as those terms are defined in NP 46-201.

Uniform terms of automatic timed-release escrow apply to principal shareholders of exchange listed issuers, differing only according to the classification of the issuer. As the Company anticipates that its Common Shares will be listed on the CSE, it will be classified as an "emerging issuer". As such, the following automatic timed releases will apply to the securities held by its Principals:

Date of Automatic Times Release	Amount of Escrowed Securities Released
On the listing date of the securities (the "**Listing Date**")	1/10 of the escrowed securities
6 months after the Listing Date	1/6 of the remaining escrowed securities
12 months after the Listing Date	1/5 of the remaining escrowed securities
18 months after the Listing Date	1/4 of the remaining escrowed securities
24 months after the Listing Date	1/3 of the remaining escrowed securities
30 months after the Listing Date	1/2 of the remaining escrowed securities
36 months after the Listing Date	The remaining escrowed securities

Assuming there are no changes to the escrowed securities initially deposited and no additional escrowed securities are deposited, automatic timed-release escrow applicable to the Company will result in a 10% release on the Listing Date, with the remaining escrowed securities being released in 15% tranches every six months thereafter.

The automatic timed-release provisions under NP 46-201 pertaining to "established issuers" provide that 25% of each Principal's and shareholder's escrowed securities are released on the Listing Date, with an additional 25% being released in equal tranches at six-month intervals over eighteen months. If, within eighteen months of the Listing Date, the Company meets the "established issuer" criteria as set out in NP 46-201, the escrowed securities will be eligible for accelerated release available for established issuers. In such a scenario, that number of escrowed securities that would have been eligible for release from escrow if the Company had been an "established issuer" on the Listing Date will be immediately released from escrow. The remaining escrowed securities would be released in accordance with the timed-release provisions for established issuers, with all escrowed securities being released eighteen months from the Listing Date.

As of the date of this Prospectus, the following table sets out the securities of the Company that, to the knowledge of the Company, will be held in escrow under the Escrow Agreement:

Designation of Class	Number of Securities Held in Escrow	Percentage of Class after giving effect to the Transaction
Common Shares	47,500,000(1)	52.63%
Consideration Warrants	10,000,000(2)	-

(1) These Common Shares are expected to be held under the Escrow Agreement in accordance with NP 46-201. The Escrow Agent is expected to be the Transfer Agent (as defined herein).

(2) The Consideration Warrants are expected to be held under the Escrow Agreement in accordance with NP 46-201. The Escrow Agent is expected to be the Transfer Agent.

PRINCIPAL SHAREHOLDERS

TheraCann will, collectively, directly or indirectly own or control approximately 58.81% of the issued and outstanding Common Shares. Messrs. Chris Bolton and Kyle Horak, directors and officers of TheraCann, will also be directors and officers of the Company. As a result, TheraCann may have a significant influence over the Company and its affairs. However, pursuant to the Voting Agreement, TheraCann agreed that it will not exercise any voting rights associated with any Common Shares which exceed 49% of the Common Shares outstanding from time to time, notwithstanding the fact that it may own or exercise control over additional Common Shares. See "Risk Factors".

Principal Shareholder	Type of ownership	Number of Common Shares owned, controlled, or directed	Percentage of outstanding Common Shares(1)
TheraCann(2)	Direct	47,500,000	52.63%

(1) Percentage is based on a total of 90,264,806 Common Shares issued and outstanding after giving effect to the Transaction.
(2) TheraCann is beneficially owned as to 50% by Chris Bolton and as to 49% by Julie-Anne Bolton.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names and jurisdiction of residence of the anticipated directors and executive officers of the Company as of the date of this Prospectus, including their respective positions and offices to be held with the Company, their principal occupations during the past five (5) years, and the anticipated number and percentage of securities of each class of voting securities of the Company. Directors will serve until the first annual meeting of shareholders or until their successors are elected or appointed, unless their office is earlier vacated.

Name and Place of Residence	Position to be held with the Company	Principal occupation(s) during the past 5 years	Number of Common Shares owned, controlled, or directed after giving effect to the Transaction	Percentage of outstanding Common Shares(2)
Chris Bolton(3), Panama Pacifico, Panama	Chief Executive Officer, Director	Mr. Bolton is the Chief Operating Officer of Sprout Panama. Prior thereto, Mr. Bolton was the CEO of Benchmark Laboratories Group Ltd. Prior thereto, Mr. Bolton was Director of GE Capital IT Solutions, CEO of International Productivity Solutions Inc., CEO of FlashPoint Components Ltd., and FlashPoint Innovations Ltd.	47,500,000	52.63%
Joshua Lebovic, Ontario, Canada	Chief Financial Officer	Interim CFO, Cryptologic Corp, (2018 to Present); CFO, Venzee (2017 to 2018); Controller, The Stars Group (2012 to 2017)	nil	0%
Kyle Horak(3) Vera Cruz, Panama	General Manager, Director	Mr. Horak is the Managing Director of the Sprout AI at the COE. Prior thereto, Mr. Horak was President of Horak and Franke Ltd. and, before that, Director of International Director of Operations & Development at Cecenternet, and Senior Project Manager of Selina	nil	0%
Kurtis Kisio(1)(3) Alberta, Canada	Director	Vice President of Sales at Source Energy Services	nil	0%
Leanne Likness, Alberta, Canada	Corporate Secretary	President of Praevalidus Corporate Services Inc.	nil	0%

(1) This director is considered independent within the meaning of securities laws.
(2) Based on 90,264,806 issued and outstanding Common Shares.
(3) Member of the Company's Audit Committee.

Director and Executive Officer Biographies

Below is a brief description of each of the directors and executive officers of the Company including: names; ages; positions and responsibilities; relevant background; principal occupations or employment during the five years preceding the date of this Prospectus; and relevant experience in the industry.

Chris Bolton, B.A. (Hons.), LL.B. (Age 57) - Chief Executive Officer and Director

Mr. Bolton has over thirty years of global experience in agricultural science and laboratory operations, manufacturing, quality control, software development, vertical urban farming regulatory compliance, business development and consulting. He is a senior executive with a proven reputation for creating a corporate vision to maximize multi-stakeholder input and the knowledge and passion to implement on that vision, and with proven experience in planning, designing, implementing and managing complex technologies while developing an international business operation. Chris holds a Law Degree (LLB)and a Bachelor of Arts with Honours B.A.(Hons.) from the University of Calgary.

Mr. Bolton devotes 100% of his time to the Company. Mr. Bolton is an employee of the Company and has entered into a non-competition and non-disclosure agreement with the Company.

Joshua Lebovic, CPA, CA (Age 36) - Chief Financial Officer

Mr. Lebovic brings more than ten years of experience managing public and private businesses from start-up to multi-billion-dollar enterprises. Mr. Lebovic is CFO of Cryptologic Corp. (CRY:CSE), a company specializing in mining of cryptocurrencies. Previously, Mr. Lebovic was CFO of Venzee Technologies (VENZ:TSXV), a SAAS based technology platform specializing in data transformation. Prior to Venzee, Mr. Lebovic served as Controller of Foreign Operations for The Stars Group, a multi-billion dollar online poker and gambling technology company. Mr. Lebovic holds a Bachelor of Commerce degree from McGill University and holds the professional certification of Chartered Professional Accountant.

Mr. Lebovic devotes 30% of his time to the affairs of the Company. Mr. Lebovic is an independent contractor of the Company and entered into a non-competition and non-disclosure agreement with the Company.

Kyle Horak, B.S., International Business and Marketing (Age 31) – General Manager, Director

Kyle Horak has ten years' experience in international business and marketing, business administration, and regulatory affairs, working for international companies on four continents with such companies as Horak and Franke, Selina and Decenternet. Mr. Horak is fluent in English and Spanish, and currently based in Panama. Kyle holds a Bachelor of Science (BS) in International Business and marketing.

Mr. Horak devotes 100% of his time to the Company. Mr. Horak is an employee of the Company and entered into a non-competition and non-disclosure agreement with the Company.

Kurtis Kisio (Age 36) - Director

Mr. Kurtis Kisio is Vice President of Sales at Source Energy Services ("Source"), a leading frac sand supplier within Canada. Mr. Kisio has over 10 years of sales experience and joined Source in 2016, prior to Source's IPO in 2017. Mr. Kisio was also a member of the CE Franklin team when acquired by National Oilwell Varco in 2012, and a subsequent IPO of DNOW in 2014. Mr. Kisio graduated Cum Laude from Minnesota State University with a Bachelor of Science Degree in Business Management while also on a scholarship to play hockey for their Division 1 program.

Mr. Kisio devotes 5% of his time to the Company. Mr. Kisio is an independent contractor of the Company.

Leanne Likness, MBA, MA Juris (International Law) (Age 46) - Corporate Secretary

Leanne Likness has twenty years of experience in overseeing corporate governance, privacy, strategy, enterprise risk management, and compliance programs for companies both in the public and private sectors, including Sun Life Financial, Shell Canada, Superior Plus Corp., and ENMAX.

Ms. Likness devotes 5% of her time to the Company. Ms. Likness is an independent contractor of the Company.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the Company's directors or executive officers and none of the proposed directors or executive officers of the Company, is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation, that was in effect for a period or more than 30 consecutive days (an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such issuer, or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of the Company's directors or executive officers and none of the proposed directors or executive officers of the Company, nor, to the knowledge of the Company, any shareholder holding a sufficient number of its securities to affect materially the control of the Company or any shareholder expected to hold a sufficient number of the Company's securities to affect materially the control of the Company, (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

None of the Company's directors or executive officers and none of the proposed directors or executive officers of the Company, nor, to the knowledge of the Company, any shareholder holding a sufficient number of its securities to affect materially the control of the Company or any shareholder expected to hold a sufficient number of the Company's securities to affect materially the control of the Company, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Company's knowledge, except as disclosed elsewhere in this Prospectus, the Company is not aware of any existing or potential material conflicts of interest between the Company and any of its directors or officers as of the date hereof or any potential material conflicts of interest between the Company and any of its anticipated directors or officers. However, certain of the Company's directors and officers are, or may become, directors or officers of other companies with businesses which may conflict with its business. Accordingly, conflicts of interest may arise which could influence these individuals in evaluating possible acquisitions or in generally acting on the Company's behalf. See also "*Risk Factors – Risks Related to the Company – The directors and officers may have conflicts of interest with the Company*".

Pursuant to the BCBCA, directors and officers of the Company are required to act honestly and in good faith with a view to the best interests of the Company. Generally, as a matter of practice, directors who have disclosed a material interest in any contract or transaction that the Board will consider will not take part in any board discussion respecting that contract or transaction. If on occasion such directors do participate in the discussions, they will refrain from voting on any matters relating to matters in which they have disclosed a material interest. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which directors or officers may have a conflict.

See also "*Interest of Management and Others in Material Transactions"*.

EXECUTIVE COMPENSATION

Prior to obtaining a receipt for the Prospectus and completing the Transaction, neither NumberCo nor Sprout Panama was a reporting issuer in any jurisdiction. As a result, certain information required by Form 51-102F6V, *Statement of Executive Compensation – Venture Issuers*, ("**Form 51-102F6V**") has been omitted pursuant to Section 1.3(8) of Form 51-102F6V.

Compensation Discussion and Analysis

The Board is responsible for setting the overall compensation strategy of the Company and administering the Company's executive compensation program with input from the Chief Executive Officer of the Company in respect of all executive officers other than the Chief Executive Officer. As part of its mandate, the Board will approve the remuneration of the Company's executive officers, including the Named Executive Officers of the Company. The NEOs of Sprout Panama for the financial years ended October 31, 2020, were the Chief Executive Officer and Chief Operating Officer and the Chief Financial Officer, and these NEOs are the NEOs of the Company. The Board is also responsible for reviewing the Company's compensation policies and guidelines generally.

The objective of Company's executive compensation program is to motivate, reward, and retain management talent that is needed to achieve the Company's business objectives. The compensation program is designed to ensure that compensation is competitive with other companies of similar size and is commensurate with the experience, performance, and contribution of the individuals involved and the overall performance of the Company. In evaluating performance, consideration is given to the Company's long-term interests and quantitative financial objectives, as well to the qualitative aspects of the individual's performance and achievements. Compensation for directors of the Company, if any, will also be determined by the Board on an annual basis.

Risks of Compensation Policies and Practices

The Company's intended compensation program is designed to provide executive officers incentives for the achievement of near-term and long-term objectives, without motivating them to take unnecessary risk.

Elements of Compensation

Following listing on the CSE, the executive compensation program is expected to be comprised of three principal components: (i) base salaries; (ii) bonuses, and (iii) an option plan which will be designed to provide a combination of cash and equity-based compensation to effectively retain and motivate the executive officers to achieve the Company's goals and objectives. Each component of the expected executive compensation program is described below.

Base Salaries

Following listing on the CSE, executive officers will be paid a base salary to compensate them for providing the leadership and specific skills needed to fulfill their responsibilities. The payment of base salaries will be an important component of the intended compensation program and will serve to attract and retain qualified individuals. The base salaries for the executive officers will be reviewed annually by the Board and will be determined by considering the contributions made by the executive officers, how their compensation levels related to compensation packages that would be achievable by such officers from other opportunities, and publicly available salary data. Salaries of the executive officers are not expected to be determined based on benchmarks or a specific formula. The actual base salaries to be paid to executive officers will be determined by the Board and are not known at present.

Bonuses

The Board may from time to time approve bonus payments to reward executive officers for their contribution to the achievement of annual corporate goals and objectives. Bonuses will also serve as a retention incentive for executive officers so that they remain in the employ of the Company. The payment of bonuses is consistent with the intended overall objective of the Company to reward performance.

Equity-Based Awards

The Company has not adopted a stock option plan. The Company may adopt a stock option plan in the future. See "*Options to Purchase Securities – Stock Option Plan*".

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of NumberCo's directors, executive officers or employees, or former directors, executive officers or employees, nor any associate of such individuals, is as at the date hereof, or has been, during the financial year ended November 30, 2020, indebted to NumberCo in connection with purchase of securities or otherwise. In addition, no indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding of NumberCo.

None of Sprout Panama's directors, executive officers or employees, or former directors, executive officers or employees, nor any associate of such individuals, is as at the date hereof, or has been, during the financial year ended October 31, 2020, indebted to Sprout AI in connection with purchase of securities or otherwise. In addition, no indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding of Sprout AI.

AUDIT COMMITTEES AND CORPORATE GOVERNANCE

Audit Committee Charter

The Company has formed an audit committee (the "**Audit Committee**") comprised of Kyle Horak, Kurtis Kisio and Chris Bolton, each of whom is financially literate as determined in accordance with NI 52-110. Mr. Kisio will serve as the Chair of the Audit Committee.

In addition to each member's general business experience, the education and experience of each of the Audit Committee members that is relevant to the performance of their responsibilities as an Audit Committee member is outlined above under "*Directors and Officers – Biographies*".

The text of the charter of the Audit Committee is attached hereto as Appendix C.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee will be required to review the performance of Company's external auditor and to approve in advance the provision of services other than auditing. The Audit Committee will also be required to consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Chair of the Audit Committee will be authorized to approve any non-audit services or additional work that the Chair of the Audit Committee deems as necessary. In such a case, the Chair of the Audit Committee will be required to notify the other members of the Audit Committee of such non-audit or additional work.

Reliance on Exemption in Section 6.1 of NI 52-110

The Company will be a "venture issuer", as defined in Section 1.1 of NI 52-110. Accordingly, in providing the disclosure contained herein, the Company will rely upon the exemption in Section 6.1 of NI 52-110 (which is available to all venture issuers) whereby the Audit Committee members will not be required to be either "independent" or "financially literate".

External Auditor Service Fees (By Category)

The aggregate audit fees incurred by NumberCo from its date of incorporation on August 25, 2020 to November 30, 2020 and by Sprout Panama for the financial years ended October 31, 2020 and the period from November 19, 2018 to October 31, 2019 are set out in the table below. Following closing of the Transaction, the Company intends to use MNP LLP (see "*Auditors, Transfer Agent and Registrars*").

Entity	Financial Year Ended	Audit Fees	Audit-Related Fees	Tax Fees	All other Fees
Sprout Panama	October 31, 2020 and the period from November 19, 2018 to October 31, 2019	$24,500	$Nil	$Nil	$Nil
NumberCo	Incorporation to November 30, 2020	$5,314	$Nil	$Nil	$Nil

CORPORATE GOVERNANCE

The Board will facilitate its exercise of independent supervision over the Board 's management through meetings of the Board and, both directly and indirectly, its committees and independent members. The Board believes that adequate structures and processes are in place to facilitate the functioning of the Board with a level of independence from the Company's management.

The Board initially consists of three directors, one of whom is considered to be an independent director as defined in NI 58-101. Kyle Horak and Chris Bolton are not considered to be independent directors pursuant to NI 58-101 by virtue of being an employee and an executive officer, respectively, of the Company.

Other Reporting Issuer Experience

No director of the Company is presently a director of any other issuer that is a reporting issuer, or the equivalent, in a Canadian jurisdiction or a foreign jurisdiction:

Orientation and Continuing Education

It is the intention that the Board will consider and determine an orientation process for new members of the Board and continuing education and development for incumbent members of the Board, including specific education for members of each committee, if necessary. In addition, the Board will oversee the arrangement for its members to annually participate in a continuing education event addressing current developments and best practices in corporate governance, if deemed to be appropriate and beneficial.

Ethical Business Conduct

The Board may choose to adopt a written Code of Conduct, which will apply to all employees, officers, directors and advisors of the Company and its affiliates. The purpose of such Code of Business Conduct and Ethics will be to create a culture in the Company and its affiliates that values high ethical standards, honesty and compliance with laws, rules and regulations. Such Code of Conduct will contain prohibitions on discrimination and harassment as well as provisions that require the directors, officers and other employees of the Company and its affiliates to avoid situations where their personal interests conflict, or appear to conflict, with the interests of the Company and/or its affiliates.

Nomination of Directors

The Board as a whole is responsible for annually identifying and recommending to the Board an annual slate of nominees for membership on the Board. In recommending the annual slate of nominees, the Board will identify and screen individuals to determine potential candidates, taking into account the number of directors required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

Compensation

The Board will conduct reviews with regard to directors' and officers' compensation at least once a year. See "Executive Compensation" herein.

Assessments

The Board will monitor the adequacy of information given to directors, communication between the Board and management and the strategic direction and process of the Board and the Company Audit Committee. During the year-end audit, both the Board and the Company Audit Committee will review the information contained within the financial statements, express any opinions which they may have and make self-assessments regarding whether the information is accurate and representative of clear communications between the Board and management of the Company.

RISK FACTORS

Risks Relating to the Qualifying Securities

An investment in the securities of the Company is speculative and involves a high degree of risk due to the nature of the Company's business. An investment in the Company's securities should only be made by persons who can afford the total loss of their investment. The following risks, as well as risks currently unknown to the Company, could adversely affect the Company's current or future business, operations, results, cash flows and financial condition and could cause future results, cash flows, financial condition, events or circumstances to differ materially from those currently expected, including the estimates and projections contained in this Prospectus. Prospectus investors should carefully consider the risks described below and elsewhere in this Prospectus. The risks described below and elsewhere in this Prospectus do not purport to be an exhaustive summary of the risks affecting the Company and additional risks and uncertainties not currently known to the Company or not currently perceived as being material may have an adverse effect on the Company.

The Qualifying Securities do not trade on any exchange and may experience substantial volatility

The Qualifying Securities do not currently trade on any exchange or stock market. Securities of small-cap companies such as the Company may experience substantial volatility that is unrelated to the Company's financial condition or operations. The fact that no market currently exists for the Qualifying Securities may affect the pricing of the Qualifying Securities in the secondary market, the transparency and availability of trading prices and the liquidity of the Qualifying Securities. The market price of the Qualifying Securities is affected by many other variables which may be unrelated to the Company's success and are, therefore, not within the Company's control. The effect of these and other factors on the market price of the Qualifying Securities is expected to make the price of the Common Shares volatile in the future, which may result in losses to investors.

Discretion in the use of proceeds

Although the use of proceeds has generally been provided for in this Prospectus, the Company cannot specify with certainty the amount of available funds which will be allocated for each purpose. Accordingly, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary or prudent. It is difficult at this time to definitively project the total funds necessary to effect the planned activities of the Company. For these reasons, management of the Company will have a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises.

Please see "Management's Discussion and Analysis" for a description of additional risks affecting the Company**.**

Risks Related to Our Operations

Management of the Company defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of Company. The following section describes specific and general risks that could affect the Company. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware. Moreover, the likelihood that a risk will occur or the nature and extent of its consequences if it does occur, is not possible to predict with certainty, and the actual effect of any risk or its consequences on the business could be materially different from those described below and elsewhere in this Prospectus.

COVID-19

The recent outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting economic activity worldwide. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The pandemic outbreak and the related mitigation measures imposed by governments may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, quarantine, business disruptions, and the effectiveness of actions taken in Panama and other countries to contain and treat the disease. The effects that these events will have are highly uncertain and as such, the Company cannot determine the corresponding financial impact at this time.

In March of 2020, the Company was forced to shut down operations under order by the government of Panama and as a result, the COE, including the majority of all businesses in Panama, were forced to close their doors and require all staff and contractors to work from their home locations. During the period between March and October 2020, Panama then remained under some of the world's most restricted quarantine requirements. Consequently, the Company was forced to lay off its contractors until it would be able to reopen the COE.

Commencing in October 2020, the Company began the process of working both with property manager, its economic zone, its utility companies, and the Federal Health department to re-open the COE. The COE re-opened in December following formal inspection and approvals, and the Company is now in position to fully resume operations.

The Company expects to experience some short to medium term negative impacts from the COVID-19 outbreak; the extent of such impacts is currently unquantifiable, but may be significant. Such impacts include, with respect to its operations, increased suppliers' operations and its customers' operations inquiries, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, a material reduction in demand for the Company's products and services, reduced sales, higher costs for new capital, licencing and permitting delays, increased operating expenses, delayed performance of contractual obligations, and potential supply shortages, all of which are expected to negatively impact the business, financial condition and results of operations of the Company and thus may impact the ability of the Company to satisfy its obligations other parties, which in turn may adversely impact, among other things, the ability of the Company to access debt or equity capital on acceptable terms or at all.

The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Company's facilities. Should an employee or visitor in any of the Company's facilities become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk. The 2020 outbreak of COVID-19 is one example of such an illness. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines and applicable health authority recommendations.

The COVID-19 pandemic continues to rapidly evolve and the full impact on the Company's business, financial condition and results of operations, as well as the Company's future capital expenditures and other discretionary items, will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence, including: the geographic spread of the virus; the duration and extent of the pandemic, the spread of new variant strains of the virus, further actions that may be taken by governmental authorities, including in respect of travel restrictions and business disruptions; the severity of the disease; and the effectiveness of actions taken to contain the virus and treat the disease, including access to effective vaccines.

Negative Cash Flow from Operations

Sprout Panama had negative operating cash flows for the financial year ended October 31, 2020. Although the Company anticipates it will have positive cash flow from operating activities in future periods, the Company cannot guarantee it will have a cash flow positive status in the future. To the extent that the Company has negative cash flow in any future period, certain of the proceeds from the Offering may be used to fund such negative cash flow from operating activities. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset its costs and operating expenses or if the Company is unable to raise financing to fund capital or operating expenditures or acquisitions, it could limit its growth and may have a material adverse effect upon the Company's business, financial condition, cash flows, results of operations or prospects.

Discretion to Use Capital Resources Other Than as Specified in this Prospectus Supplement

The Company currently intends to use the net proceeds of the Offering and the Company's working capital, together with future cash flows from operations and borrowings, if required, to accomplish the business objectives set out under "Use of Proceeds" and in the Prospectus. However, the Board and/or management will have discretion in the actual application of the Company's capital resources and may elect to allocate proceeds differently from that described under "*Use of Proceeds*" if they believe it would be in the Company's best interests to do so. Shareholders may not agree with the manner in which the

Board and/or management choose to allocate and spend the Company's capital resources. The failure by the Board and/or management to apply the Company's capital resources effectively could have a material adverse effect on the development of the Company's projects and the Company's business, financial condition, results of operations or cash flows.

Regulatory Risks

The proposed activities of the Company may be subject to regulation by governmental authorities, for example, the Canadian Department of Agriculture or the Canadian Food Inspection Agency or the Food and Drug Administration in the United States. Sprout AI's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by applicable governmental authorities and obtaining all regulatory approvals, where necessary, for the provision of its services or the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development of markets, the provision of services and the sale of products and could have a material adverse effect on the Company.

Environmental Regulations and Risks

Food production by clients of the Company may mandate, among other things, the maintenance of air and water quality standards and land reclamation. They may also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's vertical urban farming industry clients, and as a result, such changes may adversely affect the Company.

Compliance with Applicable Laws

The Company anticipates being diligent in its attempt to comply with the legal regimes that it will be subject to in connection with its efforts to sell its services and products on a worldwide basis. However, failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the vertical urban farming industry, or more stringent implementation thereof, could make it more difficult for the Company's clients to obtain or maintain licenses to participate in the vertical urban farming industry, which could have an adverse effect on the Company. Further, such amendments could cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development, which could have an adverse effect on the Company.

The members of the Board of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Company's Board, any director in a conflict is required to disclose his or her interest and abstain from voting on such matter.

Other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its directors and officers or other members of management of the Company as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

Global Vertical Urban Farming Industry is New and Developing

The Company is operating in the relatively new industry (in particular, the vertical urban farming industry, which in some countries is only a few months old), and the Company's success depends on its ability to attract and retain clients who are willing to become participants in the global vertical urban farming industry. In addition to being subject to general business risks applicable to being a service provider and supplier to an industry involving an agricultural product and a regulated consumer product, the Company needs to continue to build brand awareness of the Sprout AI brand in the global vertical urban farming industry and make significant investments in its business strategy and production capacity. These investments include introducing new services or products into the markets in which we operate, adopting quality assurance protocols and procedures, building our international presence and undertaking regulatory compliance efforts. These activities may not promote our services and products as effectively as intended, or at all, and we expect that our competitors will undertake similar investments to compete with us for market share. Competitive conditions, consumer preferences, patient requirements (in the case of plant based medical product vertical urban farming usage) and spending patterns in this industry and market are relatively unknown and may have unique circumstances that differ from other existing industries and markets and that cause our efforts to further our business to be unsuccessful or to have undesired consequences for us. As a result, we may not be successful in our efforts to attract and retain clients or to assist clients to obtain and maintain required licenses in the markets in which we operate, or these activities may require significantly more resources than we currently anticipate in order to be successful.

Ability to Implement Business Plan

There can be no assurance that the Company will successfully market its products. The Company's success will depend upon market acceptance of its technology and products, its ability to enhance its existing technology and products and its ability to introduce new products and features that meet customer requirements. There can be no assurance that the Company will be successful in developing, manufacturing, marketing or enhancing its technology and products. The Company's business would be adversely affected if it incurs delays in spreading its technology, products or enhancements or if such technology, products or enhancements do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render the Company's technology or products non-competitive or obsolete.

Additional Financing

The continued execution of the Company's growth strategy is dependent in part on the expansion of operations. There can be no assurance that the costs of such undertakings will not exceed those currently estimated by the Company, or that the Company will have sufficient resources to complete such expansions and related operations as currently proposed or at all. The Company may need additional financing due to future acquisitions, changes in its business plan or failure of its business plan to succeed. The Company's actual funding requirements could vary materially from current estimates. Given the sensitivity of capital markets worldwide, there is a risk that the Company may not be able to obtain additional equity or debt financing on favorable terms or at all. In future, access to capital markets and other liquidity sources to execute the Company's business plan, an inability to access financing at a reasonable cost could affect its ability to grow. In addition, in instances where the Company issues equity, such issuance will result in the then-existing shareholders of the Company sustaining dilution to their relative proportion of the equity in the Company. If the Company fails to obtain any necessary financing on a timely basis, its ability to execute its current business plan may be limited, and its business could be adversely affected. As a result, the Company could default on its commitments to creditors or others and may have to seek a purchaser for its business or assets.

Limited Operating History

While Sprout AI's management have worked in the technology industry for over 10 years, Sprout AI has only recently commenced operations. The Company will therefore be subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Losses

During its plan, design and prototype testing of Sprout AI components, and during the closure of Sprout AI’s operations for COVID-19 imposed quarantine, Sprout AI has incurred losses. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

Reliance on Management and Key Personnel

The Company depends on key personnel to operate its business, and if the Company unable to retain, attract and integrate qualified personnel, its ability to develop and successfully grow the business could be harmed. The Company's success depends largely upon the continued services of its executive officers and other key employees who have specialized knowledge regarding the industry in which the Company operates. If the Company loses the services of one or more of these employees, or fails to attract qualified replacement personnel, it could harm the Company's business and future prospects. In addition, from time to time, there may be changes in the executive management team resulting from the hiring or departure of executives, which could disrupt business. The Company's success is also highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified personnel who have specialized knowledge regarding the industry in which the Company operates.

Competition for highly skilled management, marketing, sales, software developers, product designers and developers and other employees is high in the industry in which the Company operates, and the Company may not be successful in attracting and retaining such personnel. Failure to attract and retain qualified executive officers and other key employees could have a material adverse effect on the Company.

Competition

The agricultural industry may become increasingly competitive. There is potential that the Company will face intense competition from other companies, including from field growers, greenhouses and other vertical farmers, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the Company.

Because of the early stage of the vertical urban farming industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the Company.

Pricing of Vegetable Plants

The agricultural business is competitive and sensitive to changes in the price of vegetable plants. The price of Sprout AI's and its customers' products is affected by many factors including supply and demand of the customers, negotiations between buyers and sellers, quality and general economic conditions, all of which could have a material adverse effect on the financial condition of Sprout AI and the Company. Demand for Sprout AI's and its customers' products is subject to fluctuations resulting from adverse changes in general economic conditions, evolving consumer preferences, nutritional and health-related concerns and public reaction to food spoilage or food contamination issues. There can be no assurance that demand for Sprout AI's and its customers' products will increase or that present demand levels will be maintained. If demand for plant vegetable plants decreases, the financial condition of the Company and results of operations may be materially adversely affected.

New and Evolving Technologies

In any new business involving new and evolving technologies there are many unforeseen development risks which could impair or delay the Company in achieving its goals. There is a risk that Sprout AI's technology will not meet the requirements of the market. It is possible that more economical or efficient production technology than what is currently produced by Sprout AI will be developed, thereby potentially adversely affecting the Company's competitive position.

Trade Restrictions

Sprout AI's business of constructing and selling vertical farming facilities is dependent on inputs from around the world. Any adverse trade restriction on farming technology could have a material impact on the Company's business.

Climate Change

Sprout AI recognizes that climate change may affect Sprout AI's and its customers' business and operations directly or indirectly. Extreme weather events (such as prolonged drought or freezing, increased periods of snow and increased frequency and intensity of storms) have the potential to disrupt Sprout AI's and its customers' operations, including with respect to transport routes. Sprout AI is unable to predict the impact of climate change on its business but extended disruptions could result in interruption to production which could materially adversely affect Sprout AI's financial condition and results.

Governments at all levels are moving towards enacting legislation to address climate change by regulating carbon emissions and energy efficiency, among other things or to make current regulation more stringent. There is no assurance that compliance with such legislation will not have an adverse effect on our business, results of Sprout AI's operations, financial condition and share price.

Transportation Disruptions

Due to the perishable nature of Sprout AI's products, Sprout AI depends on fast and efficient road transportation to distribute its product. Any prolonged disruption of this transportation network could have an adverse effect on the Company's financial condition and results of operations.

Dependence on Third Party Suppliers

Sprout AI has established relations with third party suppliers, upon whom it relies to provide materials and components for its products. A supplier's failure to supply materials or components in a timely manner, or to supply materials and components that meets Sprout AI's quality, quantity or cost requirements, or Sprout AI's inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to it, could adversely impact its ability to deliver its products.

Manufacturing Costs

Sprout AI is continually seeking out ways to reduce its manufacturing costs, which allows it to further reduce selling prices for its products, increase its business volume thereby improving profit margins. Sprout AI's ability to reduce manufacturing costs depends on successful research and development, component purchasing volumes generating savings of scale and fluctuations in material costs.

Risks Associated with Cross-Border Trade

The Company's products are anticipated to be sold internationally. Markets in the United States and other countries may be affected from time to time by trade rulings and the imposition of customs, duties and other tariffs. There can be no assurance that the Company's financial condition and results of operations will not be materially adversely affected by trade rulings and the imposition of customs duties or other tariffs in the future. Furthermore, there is no assurance that further trade actions will not be initiated by U.S. producers of vegetables. Any prolonged disruption in the flow of the Company's product across the U.S.-Canada border or internationally could have an adverse effect on the Company's financial condition and results of operations.

Risks Inherent in an Agricultural Business

The business of clients of the Company in the vertical urban farming industry will likely involve the growing, distribution and tracking of agricultural products. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although all such growing is completed in specialized facilities under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production. An adverse effect on the Company's clients could result in an adverse effect on the Company.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company anticipates maintaining insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon the Company.

The Company is an Entrant Engaging in a New Industry

The global vertical urban farming industry is still very new. There can be no assurance that an active and liquid market for shares of the Company will develop and shareholders may find it difficult to resell their shares. No assurance can be given that the Company will be successful in the long term.

Intellectual Property Risks

The Company may have certain proprietary intellectual property, including but not limited to ownership or license rights to brands, trademarks, trade names, patents and proprietary processes. The Company will rely on this intellectual property, know-how and other proprietary information, and will require certain employees, consultants and suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and the Company may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary or licensed technology of the Company. Third parties may otherwise gain access to Sprout AI's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company.

In addition, other parties may claim that the Company's services or products, or those that the Company licenses or procures from others, infringe on their proprietary or patent protected rights. Such claims, whether or not meritorious, may result in the expenditure by the Company of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. Such licenses may not be available on terms acceptable to the Company, or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to the Company, or at all, licenses or other rights with respect to intellectual property that the Company does not own.

Risks Inherent in the Acquisition of Acquired Companies and Brands

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions to acquire technologies, businesses, brands or assets that are complementary to its business and/or enter into strategic alliances in order to leverage its position in global vertical urban farming markets. While the Company expects to conduct substantial due diligence in connection with such acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies or other acquisitions for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect. Further, in connection with any acquisitions, the Company could encounter significant transaction and integration related costs, and may fail to realize all of the benefits from the acquisitions. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Company's Common Shares.

Future acquisitions may expose the Company to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new acquisitions.

Integrating Acquired Companies and Brands

The success of the acquisition of acquired companies and brands will depend, in part, on the ability of the Company to realize the anticipated benefits and synergies from integrating those companies and brands into the business of the Company. The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of acquired companies with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of acquired companies and brands may also impose substantial demands on the Company's management. There is no assurance that these acquisitions will be successfully integrated in a timely manner. The challenges involved in the Company's integration of acquired companies and brands may include, among other things, the following: (a) the necessity of coordinating both geographically disparate and geographically overlapping organizations; (b) retaining key personnel, including addressing the uncertainties of key employees regarding their future; (c) integrating acquired companies into the Company's accounting systems and adjusting the Company's internal control environment to cover the operations of such acquired companies and brands; (d) integration of information technology systems and resources; (e) performance shortfalls relative to expectations as a result of the diversion of management's attention to the integration of such acquired companies or brands; and (f) unplanned costs required to integrate acquired companies and brands with the Company's existing business.

Dividends are Discretionary

The Company is not obligated to pay dividends on its shares. The payment of dividends is at the sole discretion of the Company's Board of Directors and as at the date hereof, the Company has not paid dividends and in the foreseeable future, does not anticipate paying dividends. In addition, in the future, should the Company obtain credit facilities to finance its operations, such credit facilities may restrict its ability to pay dividends, and thus the Company's ability to pay dividends on its shares will depend on, among other things, its level of indebtedness at the time of the proposed dividend and whether it is in compliance with such facilities. Any reduction or elimination of dividends could cause the market price of the Company's Common Shares to decline and could further cause the Company's Common Shares to become less liquid, which may result in losses to shareholders.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales of its services and products as detailed forecasts are not generally obtainable from other sources at this early stage of the global vertical urban farming industry. A failure in the demand for its services or products to materialize as a result of competition, technological change, regulatory change or other factors could have a material adverse effect on the Company.

Management of Growth

As an early-stage company, the Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's Common Shares.

The Company prepares its financial reports in accordance with International Financial Reporting Standards. In preparation of its financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in Sprout AI's financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance in this regard.

Price Volatility and Liquidity

Prior to completion of the Transaction, Sprout Panama was a privately held company. There can be no assurance that an active market for the Company's Common Shares will be developed, and if developed, will be sustained. Publicly listed securities in certain industries have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global economic developments and market perceptions of the attractiveness of certain industries. There can be no assurance that continuing fluctuations in price will not occur. Those fluctuations could be based on various factors in addition to those otherwise described in this Prospectus, which could result in the market price of the Company's Common Shares at any given point potentially not accurately reflecting the long-term value of the Company's business. A decline in the value of the Company's Common Shares could cause investors to lose some or all of their investment and may adversely impact the Company's ability to attract and retain employees and raise capital. In addition, shareholders may initiate securities class action lawsuits if the market price of Company's Common Shares drops significantly, which may cause us to incur substantial costs and could divert the time and attention of the Company's management.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant the Company's resources.

Potential Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in the industries in which the Company may operate, including TheraCann, and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each director is required to declare and refrain from voting on any matter in which such director may have a conflict of interest in accordance with the procedures set forth in applicable laws.

Control Person of the Company

Following completion of the Transaction, TheraCann will own or control approximately 52.63% of the outstanding Common Shares, and will be considered a control person of the Company. TheraCann will be able to significantly influence all matters requiring shareholder approval, including without limitation, the election of directors. However, pursuant to the Voting Agreement, TheraCann agreed that it will not exercise any voting rights associated with any Common Shares which exceed 49% of the Common Shares outstanding from time to time, notwithstanding the fact that it may own or exercise control over additional Common Shares.

Fraudulent or Illegal Activity by Employees, Contractors And Consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (a) government regulations; (b) manufacturing standards; or (c) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company.

Information Technology Systems and Cyber-Attacks

The Company's operations depend, in part, on how well it, and its suppliers and customers, protect networks, equipment, information technology ("IT") systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations. The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Unfavourable Publicity or Consumer Perception

Management of the Company believes the global vertical urban farming industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the vertical urban farming produced. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the global vertical urban farming market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for products of the Company's clients. Any such effect on the Company's clients could adversely affect the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Company's products were subject to recall, the image of the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by applicable governmental agencies, requiring further management attention and potential legal fees and other expenses.

Dependence on Corporate Culture

The Company believes that a critical component of its success is its corporate culture, which the Company believes fosters innovation, encourages teamwork, cultivates creativity and promotes focus on execution. The Company has invested substantial time, energy and resources in building a highly collaborative team that works together effectively in an environment designed to promote openness, honesty, mutual respect and pursuit of common goals. As the Company continues to develop the infrastructure of a public company and grow, it may find it difficult to maintain these valuable aspects of its corporate culture. Any failure to preserve the Company's culture could negatively impact its future success, including its ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue its corporate objectives.

Securities or Industry Research and Reports

The trading market for the Company's Common Shares, once the Company becomes a listed issuer, could be influenced by the research and reports that industry or securities analysts publish about the Company. If one or more of these analysts cease coverage or fail to regularly publish reports, the Company could lose visibility in the financial markets, which in turn could cause the trading price or volume of the Company's Common Shares to decline. Moreover, if one or more of the analysts downgrade the Company or the Company's Common Shares or if the Company's operating results do not meet their expectations, the trading price of the Company's Common Shares could decline.

Legal and Accounting Requirements

As a publicly-listed company, the Company will be subject to numerous legal and accounting requirements that do not apply to private companies. The cost of compliance with many of these requirements is material. Failure to comply with these requirements can have numerous adverse consequences including, but not limited to, loss of market confidence, delisting of its securities and/or governmental or private actions against the Company. There can be no assurance that the Company will be able to comply with all of these requirements or that the cost of such compliance will not prove to be a substantial competitive disadvantage vis-à-vis privately-held and larger public competitors.

Foreign Currency Risk

The Company will be subject to risks and losses resulting from fluctuations in the relative value of the currencies of different countries where its customers, suppliers and operations are located. While the Company will attempt to be prudent in managing such foreign exchange risks, there can be no assurance that shareholders will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations.

Acquisitions

The Company may intend to acquire additional businesses in the future. Acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the business, results of operations and financial condition. In addition, there can be no assurance that the Company can complete any acquisition it pursues on favourable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the business. Furthermore, the potential funding of any such future acquisitions could require diversion of revenue or securing of debt or equity financings by the Company which could, in turn, result in a potentially dilutive issuance of equity securities. If a strategy of growth through acquisition is pursued, the failure of the Company to successfully manage this strategy could have a material adverse effect on the Company's business, results of operations and financial condition.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Income tax consequences in relation to the Qualifying Securities will vary according to circumstances of each investor. The Company encourages each potential investor to consult with its own tax or professional advisor to understand the tax considerations generally applicable with purchasing or owning the Qualifying Securities.

Prospective investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding, or disposing of the Company's securities, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires any of these securities, and with respect to the eligibility for investment of these securities in a trust governed by a registered plan or a deferred profit sharing plan, each as defined in the *Income Tax Act* (Canada).

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings and Regulatory Actions

To the knowledge of NumberCo or Sprout AI, there are no legal proceedings or regulatory actions material to NumberCo or Sprout AI to which either of the entities is a party, or has been a party to, or of which any of its property is the subject matter of, or was the subject matter of, and no such proceedings or actions are known by NumberCo or Sprout AI to be contemplated.

There have been no penalties or sanctions imposed against NumberCo or Sprout AI by a court or regulatory authority, and NumberCo or Sprout AI has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, since its incorporation

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth in this Prospectus, no director, executive officer or Shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued Common Shares, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction within the three years before the date of this Prospectus which has materially affected or is reasonably expected to materially affect the Company or any subsidiary of the Company.

Chris Bolton, Chief Executive Officer and Director of the Company, exercises beneficial control over 50% of the shares of TheraCann, which is a shareholder of the Company. See "*General Development and Business of the Company – Three-Year History*".

Julie-Anne Bolton exercises beneficial control over 49% of the shares of TheraCann, which is a shareholder of the Company.

INTERESTS OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this Prospectus or as having prepared or certified a report or valuation described or included in this Prospectus, holds any beneficial interest, direct or indirect, in any securities or property of Sprout AI and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of Sprout AI. The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of the document or report described in this Prospectus:

- The audited annual consolidated financial statements of Sprout Panama for the financial years ended for the year ended October 31, 2020 and the period from November 19, 2018 to October 31, 2019 have been audited by MNP LLP, an independent registered public accounting firm, as stated in their reports which are incorporated herein.

- The audited consolidated financial statements of NumberCo for the period of incorporation from August 25, 2020 to November 30, 2020 have been audited by Smythe LLP, an independent registered public accounting firm, as stated in their reports which are incorporated herein.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditor of Sprout Panama is MNP LLP located at 330 5 Ave SW #2000, Calgary, Alberta, T2P 0L4, Canada.

The auditor of NumberCo is Smythe LLP located at 475 Howe St #1700, Vancouver, British Columbia, V6C 2B3, Canada.

The registrar and transfer agent for the Common Shares is Endeavor Trust Corporation (the "**Transfer Agent**") located at Suite 702 – 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4.

The Company expects to use MNP LLP as its auditor and to continue to retain the Transfer Agent as registrar and transfer agent for the Common Shares.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

The persons named below are each incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside of Canada and have appointed 152928 Canada Inc., c/o Stikeman Elliott LLP (4300 Bankers Hall West, 888-3rd Street SW, Calgary Alberta, T2P 5C5) as agent for service of process:

- Sprout AI, S.A.
  5B, Building 3860, International Business Park
  Panama Pacifico, Republic of Panama
  Attention: Christopher John Bolton
  Email: cbolton@Sprout AI.solutions

- Kyle Horak; and

- Chris Bolton.

Purchasers are advised that it may not be possible for them to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts which have been entered into by the Company or Sprout AI as of the date of this Prospectus and which are regarded presently as material are:

1. Securities Exchange Agreement. See "Prospectus Summary – Securities Exchange Agreement".

2. Distribution Agreement. See "Description of Business – Distribution Agreement with TheraCann".

3. Voting Agreement. See "Prospectus Summary – TheraCann International Benchmark Corporation".

PROMOTERS

Chris Bolton may be considered to be a promoter of the Company within the meaning of relevant Canadian securities legislation, as he took the initiative in founding and organizing the business of Sprout AI. As of the date hereof, Mr. Bolton, as shareholder of TheraCann, beneficially owns or exercises control or direction over all of the shares of Sprout AI. After giving effect to the Transaction and the Final Receipt, Mr. Bolton will indirectly own, through TheraCann, 47,500,000 Common Shares of the Company, comprising of 52.63% of the issued and outstanding Common Shares of the Company.

OTHER MATERIAL FACTS

There are no other material facts that are not elsewhere disclosed herein and which are necessary in order for this Prospectus to contain full, true and plain disclosure of all material facts relating to the Company, Sprout Panama and the Qualifying Securities.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquires SW Shares upon exercise of the Special Warrant is or becomes entitled under applicable Canadian securities laws to the remedy of rescission by reason of this Prospectus or any amendment thereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of their Special Warrant for SW Shares but also of the private placement transaction under which the Special Warrant was initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant. In the event such holder is a permitted assignee of the interest of the original subscriber, such permitted assignee will be entitled to exercise the rights of rescission and refund granted thereunder as if such permitted assignee were the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of the Special Warrant under applicable law.

APPENDIX "A" – INDEX TO FINANCIAL STATEMENTS

Audited annual consolidated financial statements of NumberCo for the period from August 25, 2020 to November 30, 2020, together with the auditor's report thereon and the management's discussion and analysis relating thereto.

See attached.

1262803 B.C. LTD.

FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON AUGUST 25, 2020 TO NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF 1262803 B.C. LTD.

Opinion

We have audited the financial statements of 1262803 B.C. LTD. (the "Company"), which comprise:

- the statement of financial position as at November 30, 2020;
- the statement of loss and comprehensive loss for the 97-day period ended November 30, 2020;
- the statement of changes in shareholders' equity for the 97-day period ended November 30, 2020;
- the statement of cash flows for the 97-day period ended November 30, 2020; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2020, and its financial performance and its cash flows for the 97-day period ended November 30, 2020 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $149 during the 97-day period ended November 30, 2020 and requires additional financing. 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.

Other Information

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. 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.

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

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

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

December 14, 2020

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1262803 B.C. LTD.
Statement of Financial Position
As at November 30, 2020
(Expressed in Canadian dollars)

AS AT	Note	November 30, 2020
		$
ASSETS		
Cash		**247,351**
Loan receivable	3	**150,000**
Total assets		**397,351**
SHAREHOLDERS' EQUITY		
Share capital	5	**397,500**
Deficit		**(149)**
Total shareholders' equity		**397,351**

Approved and authorized for issue by the board of directors on December 14, 2020 and signed on its behalf by:

/s/ Eric Boehnke

Eric Boehnke, Director

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

1262803 B.C. LTD.
Statement of Loss and Comprehensive Loss
For the 97-day period ended November 30, 2020
(Expressed in Canadian dollars)

	For the period from incorporation on August 25, 2020 to November 30, 2020 $
Expenses	
General and office administration	**149**
Net loss and comprehensive loss for the period	**(149)**
Loss per share, basic and diluted	**(0.00)**
Weighted average number of shares outstanding - basic and diluted	**13,335,152**

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

1262803 B.C. LTD.
Statement of Changes in Shareholders' Equity
For the 97-day period ended November 30, 2020
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Deficit	Total
		$	**$**	**$**
Incorporation, on August 25, 2020 (Note 5)	100	-	-	-
Private placement (Note 5)	16,500,000	397,500	-	397,500
Net loss for the period	-	-	(149)	(149)
Balance, November 30, 2020	16,500,100	397,500	(149)	397,351

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

1262803 B.C. LTD.
Statement of Cash Flows
For the 97-day period ended November 30, 2020
(Expressed in Canadian dollars)

	For the period from August 25, 2020 to November 30, 2020
	$
Operating activities	
Net loss for the period	**(149)**
Net cash flows used in operating activities	**(149)**
Investing activities	
Loan to Sprout	**(150,000)**
Net cash flows used in investing activities	**(150,000)**
Financing activities	
Proceeds from issuance of shares and units	**397,500**
Net cash flows from financing activities	**397,500**
Net increase in cash	**247,351**
Cash, beginning of the period	**-**
Cash, ending of the period	**247,351**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

1262803 B.C. LTD. (the “Company”) was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. The Company has been established as an investment corporation.

The corporate registered and records offices of the Company are located at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2.

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Issues Committee (“IFRIC”). The principal accounting policies applied in the preparation of these financial statements are set out below. The financial statements were authorized for issue by the Board of Directors on December 14, 2020.

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. The presentation currency of these financial statements is the Canadian dollar.

c) Going concern

These financial statements 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 in the foreseeable future. During the 97-day period ended November 30, 2020, the Company had a net loss of $149 and anticipates that losses will be incurred in future periods. The Company’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 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 continues to operate its 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

a) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from those reported.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the determination of whether the Company will continue as a going concern.

b) Cash

Cash includes cash held at banks and is subject to an insignificant risk of change in value.

c) Loss per share

Basic earnings (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. To compute diluted earnings (loss) per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to notionally purchase the Company’s common shares at their average market price during the period. If this computation is anti-dilutive, diluted loss per share would be the same as basic loss per share.

d) Accounting for equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the fair value of the common shares, and any excess is allocated to warrants. Share issue costs (if any) are deducted against share proceeds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

f) Financial instruments

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classifications under IFRS 9:

Financial assets	**Classification**
Cash	FVTPL
Loan receivable	Amortized Cost

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (Continued)

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Equity instruments designated as FVTOCI
On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument. The Company does not currently hold any equity instruments designated as FVTOCI.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit loss. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the November 30, 2020 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

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.

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.

Sprout 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.

The terms of acquisition are:

1. To acquire 100% of Sprout, the Company will issue:
    a. 50,000,000 of the Company's common shares; and
    b. Performance-based warrants entitling the holders to purchase up to an aggregate of 10,000,000 of the Company's common shares.
2. The Company will provide unsecured, non-interest bearing loans to Sprout:
    a. $150,000 in cash on acceptance of the LOI (completed on November 9, 2020) (Note 3); and
    b. $250,000 in cash concurrent with the execution of the Definitive Agreement (Note 10).
3. The closing date for the acquisition shall be on the date that the Company's shares are listed for trading on the CSE, or such other date as agreed upon (the "Closing date").
4. Prior to the Closing Date, the Company shall complete a private placement for gross proceeds of not less than $2,000,000.

Subsequent to December 7, 2020, the Company signed the Definitive Agreement with Sprout (Note 10).

(Expressed in Canadian Dollars)

5. SHARE CAPITAL

a) Common shares

Authorized:
Unlimited number of common shares without par value.

Share issuances

For the 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.

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
At August 25, 2020	-	$	-
Warrants granted	9,500,000		0.02
At November 30, 2020	9,500,000	$	0.02

The warrants have an expiry date of August 31, 2021 and a weighted average remaining life of 0.75 years.

6. RELATED PARTY TRANSACTIONS

During the 97-day period ended November 30, 2020, the Company had $Nil transactions with related parties. As at November 30, 2020, there is $Nil owing from or due to related parties.

7. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and loan receivable. Unless otherwise noted, it is management's opinion that the Company is 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 if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and loan receivable. The Company 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 advanced to Sprout in connection with the LOI (Notes 3 and 4). The credit risk is considered low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has 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 will be able to obtain required financing in the future on acceptable terms. The Company anticipates it 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 has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to fund its operations, although the Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company 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 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 November 30, 2020 cash is measured as a Level 1 financial instrument. The loan receivable is measured as a Level 2 financial instrument.

The Company believes 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.

(Expressed in Canadian Dollars)

8. INCOME TAXES

A reconciliation of income taxes at statutory rates to reported taxes is as follows:

	For the period from incorporation on August 25, 2020 to November 30, 2020 $
Net loss	**149**
Statutory tax rate	**27%**
Expected income tax recovery at the statutory tax rate	**40**
Change in unrecognized deductible temporary differences	**(40)**
Income tax recovery	**-**

The Company recognizes tax benefits on losses or other deductible amounts generated where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

	November 30, 2020 $
Deferred tax assets	
Non-capital losses	**40**
Unrecognized deferred tax	**40**

As at November 30, 2020, the Company has available losses that may be carried forward to apply against future years' income for income tax purposes. The approximate losses expire as follows:

Year of Expiry	Taxable Loss
2040	$149

The potential benefits of these carry-forward non-capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that there will be sufficient future taxable profit to utilize the deferred tax assets.

9. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's 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.

10. SUBSEQUENT EVENTS

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.
2. 10,000,000 performance-based share purchase warrants of the Company. 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.

The Company will also provide Sprout with a refundable bridge financing of $400,000, of which $150,000 was advanced on the execution of the LOI (Note 4) and $250,000 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. The closing date of the Definitive Agreement is anticipated to be not later than March 31, 2021. 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.

On December 8, 2020, in connection with the Definitive Agreement, the Company completed a non-brokered private placement financing of 2,000,000 common shares at a price of $0.05 per share for gross proceeds of $100,000.

1262803 B.C. LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD FROM INCORPORATION ON AUGUST 25, 2020 TO NOVEMBER 30, 2020

(Expressed in Canadian Dollars)

BACKGROUND

This management's discussion and analysis ("MD&A") of the financial position and results of operations for 1262803 B.C. LTD. (the "Company") is prepared as at December 14, 2020. The information herein should be read in conjunction with the financial statements for the period from incorporation on August 25, 2020 to November 30, 2020 and the related notes contained therein, which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting currency of the Company, unless specifically noted.

FORWARD-LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include, but are not limited to: volatility of stock price and market conditions, regulatory risks, difficulty in forecasting, key personnel, limited operating history, competition, investment capital and market share, market uncertainty, additional capital requirements, management of growth, pricing policies, litigation, no dividend history. The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in MD&A include: (a) execution of the Company's existing plan to become a global leader and distributor of its products and related product lines. (b) ability to secure distribution partners (c) demand for the Company's products. Forward looking statements are based on a number of assumptions that may prove to be incorrect including but not limited to assumptions about: the impact of competition; the ability to obtain new financing on acceptable terms; the ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest. The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company. Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking statements will materialize. Unless required by applicable securities laws the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, see "Risk Factors".

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "Risk Factors".

COMPANY OVERVIEW

1262803 B.C. LTD. was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. The Company has been established as an investment corporation.

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 continues to operate its 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 Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020.

PROPOSED ACQUISITION OF SPROUT AI, S.A.

On November 4, 2020, the Company signed a Letter of Intent ("LOI") with Sprout AI, S.A. ("Sprout") whereby the Company will acquire 100% interest in all of the issued and outstanding securities of Sprout. On December 7, 2020, the Company signed a Securities Exchange Agreement with Sprout and the shareholder of Sprout. 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.

Sprout 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.

The terms of acquisition are:

1. To acquire 100% of Sprout, the Company will issue:
    a. 50,000,000 of the Company's common shares; and
    b. 10,000,000 performance-based share purchase warrants of the Company. 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:
        i. One third vesting upon the Company realizing $3,000,000 in total revenue;
        ii. One third vesting upon the Company realizing $6,000,000 in total revenue; and
        iii. One third vesting upon the Company realizing $9,000,000 in total revenue.
2. The Company will provide unsecured, non-interest bearing loans to Sprout:
    a. $150,000 in cash on acceptance of the LOI (completed on November 9, 2020); and
    b. $250,000 in cash concurrent with the execution of the Definitive Agreement (completed on December 7, 2020).
3. The closing date for the acquisition shall be on the date that the Company's shares are listed for trading on the CSE, or such other date as agreed upon (the "Closing date").
4. Prior to the Closing Date, the Company shall complete a private placement for gross proceeds of not less than $2,000,000.

Expressed in Canadian Dollars

Use of Proceeds Disclosure

In connection with the financing activities during the period ended November 30, 2020, the Company raised gross proceeds of $397,500. The Company anticipated that it would use the proceeds of the financing activities during the period ended November 30, 2020 for short-term capital requirements and for a bridge loan to Sprout. The following table sets out the original proposed uses of the proceeds from the financing activities during the period ended November 30, 2020. Except as set out below, there have been no variations from such proposed uses and the Company continues to proceed towards its original business objectives for such funds.

Use of Proceeds	**Proposed Use**	**Actual Use (As at November 30, 2020)**
Short-term capital requirements	$Nil	$Nil
Bridge Loan to Sprout AI, S.A.	$397,500	$150,000

SELECTED FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

A summary of selected financial information is as follows:

	November 30, 2020 $
Total assets	397,351
Total revenue	-
Net loss and comprehensive loss	(149)
Loss per share, basic and diluted	(0.00)

RESULTS OF OPERATIONS

	For the period from incorporation on August 25, 2020 to November 30, 2020 $
Expenses	**-**
General and office administration	**149**
Loss and comprehensive loss for the period	**(149)**
Loss per share, basic and diluted	**(0.00)**
Weighted average number of shares outstanding - basic and diluted	**4,422,781**

During the period ended November 30, 2020, the Company was incorporated and thus incurred minimal expenditures.

Expressed in Canadian Dollars

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the operation results for the past two quarters since incorporation:

	Period from September 1, 2020 to November 31, 2020	Period from Incorporation on August 25, 2020 to August 31, 2020
	$	$
Total assets	397,351	-
Working capital	397,351	-
Shareholders' equity	397,351	-
Total revenue	-	-
Net loss and comprehensive loss	(149)	-
Loss per share - basic and diluted	(0.00)	-

During the period ended November 30, 2020, the Company was incorporated and had minimal transactions.

LIQUIDITY AND CAPITAL RESOURCES

Capital management

The Company considers its capital to be the main component of shareholders' equity. The Company's 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 during the period. The Company is not subject to externally imposed capital requirements.

Liquidity and capital resources

The Company's working capital position at November 30, 2020 was as follows:

	November 30, 2020
	$
Working capital	**397,351**
Deficit	**(149)**

The balance of cash available at November 30, 2020 was $247,351 with a working capital of $397,351.

The Company anticipates the Company's working capital will continue to improve over time as the Company obtains more funding. The Company intends to fund short-term capital requirements via equity financings.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Liquidity and capital resources – Operating activities

Net cash used in operating activities for the period ended was $149. The Company was incorporated during the period and incurred minimal operating expenses.

Expressed in Canadian Dollars

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Liquidity and capital resources – Financing activities

Net cash provided by financing activities during the period ended November 30, 2020 was $397,500. During the period ended November 30, 2020 the Company issued 16,500,100 common shares for gross proceeds of $397,500.

Liquidity and capital resources – Investing activities

Net cash used in investing activities was $150,000. During the period ended November 30, 2020, the Company provided a loan to Sprout pursuant to the LOI.

RELATED PARTY TRANSACTIONS

As at November 30, 2020, the Directors and Executive Officers of the Company are as follows:

Eric Boehnke	Director
Murray Oliver	Former Director

During the period ended November 30, 2010, the Company had $Nil transactions with related parties. As at November 30, 2020, there is $Nil owing from or due to related parties.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Several amendments to existing accounting standards became effective January 1, 2020 and were first adopted by the Company during the period ended November 30, 2020.

Other 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.

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances but are subject to judgments and uncertainties inherent in the financial reporting process. In preparing these MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and loan receivable. Unless otherwise noted, it is management's opinion that the Company is 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 if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and loan receivable. The Company 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.

FINANCIAL INSTRUMENTS (CONTINUED)

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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company has 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 will be able to obtain required financing in the future on acceptable terms. The Company anticipated it 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 has 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 has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company 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 in creating revenue, cash flows or earnings.

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 November 30, 2020 cash is measured as a Level 1 financial instrument. The loan receivable is measured as a Level 2 financial instrument.

The Company believes 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.

OTHER RISKS AND UNCERTAINTIES

The Company currently has no business operations and intends to seek new ventures or other opportunities which could include acquiring a business or assets, which in itself could require additional debt or equity financing. There can be no assurances that the Company will continue to be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

OUTSTANDING SHARE DATA

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

	Number of shares issued or issuable
Common shares	18,500,100
Warrants	9,500,000

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the Company's business which prospective investors should carefully consider before deciding whether to purchase common shares in the Company's authorized capital. These risks and uncertainties are not the only ones we are facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected.

Risk Factors

We may need to raise further capital.

Our business strategy is based in part on the scalability of our operations. In order to expand our operations, we will need to raise additional funds in the future, and such funds may not be available on commercially reasonable terms, if at all. If we cannot raise enough funds on acceptable terms, we may not be able to fully implement our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. This could seriously harm our business, financial condition and results of operations.

Key Personnel Risk

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. We will be dependent upon the capital markets to raise additional financing in the future, while we establish a client base for our product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to us and our management. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations.

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain our earnings to finance further growth and, when appropriate, retire debt.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents. No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.

Unaudited condensed interim financial statements of NumberCo the three months ended February 28, 2021, together with the management's discussion and analysis relating thereto.

See attached.

1262803 B.C. LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2021
(Unaudited)

(Expressed in Canadian Dollars)

1262803 B.C. LTD.
Condensed Interim Statements of Financial Position
As at February 28, 2021 and November 30, 2020
(Expressed in Canadian dollars - unaudited)

AS AT	Note	February 28, 2021 (unaudited)	November 30, 2020 (audited)
		$	$
ASSETS			
Current			
Cash		**1,924,604**	247,351
Loan receivable	3	**535,704**	150,000
Total assets		**2,460,308**	397,351
LIABILITIES			
Current			
Accounts payable		**57,864**	-
SHAREHOLDERS' EQUITY			
Share capital	5	**497,500**	397,500
Warrant reserve	5	**2,000,000**	-
Deficit		**(95,056)**	(149)
		2,402,444	397,351
Total liabilities and shareholders' equity		**2,460,308**	397,351

Approved and authorized for issue by the board of directors on April 16, 2021 and signed on its behalf by:

/s/ Eric Boehnke

Eric Boehnke, Director

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

1262803 B.C. LTD.
Condensed Interim Statement of Loss and Comprehensive Loss
For the three months ended February 28, 2021
(Expressed in Canadian dollars - unaudited)

	For the three months ended February 28, 2021
	$
Expenses	
General and office administration	**289**
Professional fees	**89,368**
Registration, filing and transfer agent fees	**5,250**
Net loss and comprehensive loss for the period	**(94,907)**
Loss per share, basic and diluted	**(0.01)**
Weighted average number of shares outstanding - basic and diluted	**18,322,322**

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

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

1262803 B.C. LTD.
Condensed Interim Statements of Changes in Shareholders' Equity
For the three months ended February 28, 2021 and 97-day period ended November 30, 2020
(Expressed in Canadian dollars - unaudited)

	Number of Shares	Share Capital	Warrant reserve	Deficit	Total
		$	**$**	**$**	**$**
Incorporation, on August 25, 2020 (Note 5)	100	-	-	-	-
			-		
Private placement (Note 5)	16,500,000	397,500	-	-	397,500
Net loss for the period	-	-	-	(149)	(149)
Balance, November 30, 2020	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
Net loss for the period	-	-	-	(94,907)	(94,907)
Balance, February 28, 2021	18,500,100	497,500	2,000,000	(95,056)	2,402,444

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

1262803 B.C. LTD.

Condensed Interim Statement of Cash Flows
For the three months ended February 28, 2021
(Expressed in Canadian dollars - unaudited)

	For the three months ended February 28, 2021
	$
Operating activities	
Net loss for the period	**(94,907)**
Changes in non-cash working capital:	
Accounts payable	**57,864**
Net cash flows used in operating activities	**(37,043)**
Investing activities	
Loan to Sprout	**(385,704)**
Net cash flows used in investing activities	**(385,704)**
Financing activities	
Proceeds from issuance of common shares	**100,000**
Proceeds from issuance of special warrants	**2,000,000**
Net cash flows from financing activities	**2,100,000**
Net increase in cash	**1,677,253**
Cash, beginning of the period	**247,351**
Cash, end of the period	**1,924,604**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

1262803 B.C. LTD. (the "Company") was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. The Company has been established as an investment corporation.

The corporate registered and records offices of the Company are located at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2.

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 April 16, 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. The presentation currency of these financial statements is the Canadian dollar.

c) Going concern

These financial statements 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 in the foreseeable future. As at February 28, 2021, the Company had a deficit of $95,056 (November 30, 2020 - $149) and anticipates that losses will be incurred in future periods. The Company'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 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 continues to operate its 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.

(Expressed in Canadian Dollars - unaudited)

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 February 28, 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	**150,000**
Advances	**385,704**
Loan receivable, February 28, 2021	**535,704**

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 three month period ended February 28, 2021, the Company made additional loans of $385,704 pursuant to the terms of the acquisition (Note 4). As at February 28, 2021, the Company has a loan receivable of $535,704.

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.

Sprout 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.
2. 10,000,000 performance-based share purchase warrants of the Company. 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 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. The closing date of the Definitive Agreement is anticipated to be not later than May 31, 2021. 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 to lend an additional sum of $300,000 pursuant to the Definitive Agreement ($135,705 advanced as of February 28, 2021).

5. SHARE CAPITAL

a) Common shares

Authorized:
Unlimited number of common shares without par value.

Share issuances

For the three months ended February 28, 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)).

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.

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.

(Expressed in Canadian Dollars - unaudited)

5. SHARE CAPITAL (CONT'D)

b) Warrants

	Number of warrants		Weighted average exercise price
At August 25, 2020	-	$	-
Warrants granted	9,500,000		0.02
At November 30, 2020 and February 28, 2021	9,500,000	$	0.02

The warrants have an expiry date of August 31, 2021 and a weighted average remaining life of 0.50 years.

c) Special Warrants

	Number of Special warrants		Weighted average exercise price
At November 30, 2020	-	$	-
Special Warrants granted	11,764,706		0.17
At February 28, 2021	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 240th day following the issuance of the Special Warrants.

6. RELATED PARTY TRANSACTIONS

During the three months ended February 28, 2021 the Company had $Nil transactions with related parties. As at February 28, 2021 and November 30, 2020, there is $Nil owing from or due to related parties.

7. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts payable and loan receivable. Unless otherwise noted, it is management's opinion that the Company is 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 if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and loan receivable. The Company 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 advanced to Sprout in connection with the LOI (Notes 3 and 4). The credit risk is considered low.

7. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has 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 will be able to obtain required financing in the future on acceptable terms. The Company anticipates it 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 has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to fund its operations, although the Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company 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 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 February 28, 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.

The Company believes 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 capital structure consists of shareholders' equity. The Company's 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.

1262803 B.C. LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2021

(Expressed in Canadian Dollars)

BACKGROUND

This management's discussion and analysis ("MD&A") of the financial position and results of operations for 1262803 B.C. LTD. (the "Company") is prepared as at April 16, 2021. The information herein should be read in conjunction with the financial statements for the three months ended February 28, 2021 and the related notes contained therein, which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company is in the process of filing a long form prospectus (the "Prospectus") to become a reporting issuer under the applicable securities legislation in each of British Columbia, Alberta and Ontario. Upon completion of the proposed transaction with Sprout AI, S.A., the Company intends to change its name to Sprout A.I. Inc and adopt the trading symbol "SPRT" on the CSE.

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting currency of the Company, unless specifically noted.

FORWARD-LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include, but are not limited to: volatility of stock price and market conditions, regulatory risks, difficulty in forecasting, key personnel, limited operating history, competition, investment capital and market share, market uncertainty, additional capital requirements, management of growth, pricing policies, litigation, no dividend history. The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in MD&A include: (a) execution of the Company's existing plan to become a global leader and distributor of its products and related product lines. (b) ability to secure distribution partners (c) demand for the Company's products. Forward looking statements are based on a number of assumptions that may prove to be incorrect including but not limited to assumptions about: the impact of competition; the ability to obtain new financing on acceptable terms; the ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest. The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company. Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking statements will materialize. Unless required by applicable securities laws the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, see "Risk Factors".

FORWARD-LOOKING STATEMENTS (CONTINUED)

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "Risk Factors".

COMPANY OVERVIEW

1262803 B.C. LTD. was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. The Company has been established as an investment corporation.

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 continues to operate its 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 Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2021.

PROPOSED ACQUISITION OF SPROUT AI, S.A.

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.

Sprout 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.
2. 10,000,000 performance-based share purchase warrants of the Company. 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.

The Company will also provide Sprout 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. The closing date of the Definitive Agreement is anticipated to be not later than May 31, 2021. 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.

On February 19, 2021, the Company entered into an agreement with Sprout to lend an additional sum of $300,000 pursuant to the Definitive Agreement ($135,705 advanced as of February 28, 2021).

Expressed in Canadian Dollars

Use of Proceeds Disclosure

In connection with the financing activities during the period ended November 30, 2020, the Company raised gross proceeds of $397,500. The Company anticipated that it would use the proceeds of the financing activities during the period ended November 30, 2020 for short-term capital requirements and for a bridge loan to Sprout. The following table sets out the original proposed uses of the proceeds from the financing activities during the period ended November 30, 2020. Except as set out below, there have been no variations from such proposed uses and the Company continues to proceed towards its original business objectives for such funds.

Use of Proceeds	**Proposed Use**	**Actual Use (As at February 28, 2021)**
Bridge Loan to Sprout AI, S.A.	$397,500	$397,500

In connection with the financing activities during the period ended February 28, 2021, the Company raised gross proceeds of $2,100,000. The Company anticipated that it would use the proceeds of the financing activities during the period ended February 28, 2021 for short-term capital requirements, for a bridge loan to Sprout, for an additional bridge loan to Sprout, and future working capital for the Company following its proposed transaction with Sprout. The following table sets out the original proposed uses of the proceeds from the financing activities during the period ended February 28, 2021. Except as set out below, there have been no variations from such proposed uses and the Company continues to proceed towards its original business objectives for such funds.

Use of Proceeds	**Proposed Use**	**Actual Use (As at February 28, 2021)**
Short-term capital requirements	$100,000	$94,907
Bridge Loan to Sprout AI, S.A.	$2,500	$2,500
Additional Bridge Loan to Sprout AI, S.A.	$300,000	$135,704
Future working capital amount for resulting issuer in connection with transaction with Sprout AI, S.A.	$1,697,500	$1,866,889

RESULTS OF OPERATIONS

	For the three months ended February 28, 2021 $
Expenses	**-**
General and office administration	**289**
Professional fees	**89,368**
Registration, filing and transfer agent fees	**5,250**
Loss and comprehensive loss for the period	**(94,907)**
Loss per share, basic and diluted	**(0.01)**
Weighted average number of shares outstanding - basic and diluted	**18,322,322**

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

Expressed in Canadian Dollars

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the operation results for the past two quarters since incorporation:

	Three months ended February 28, 2021	Period from September 1, 2020 to November 31, 2020	Period from Incorporation on August 25, 2020 to August 31, 2020
		$	$
Total assets	2,460,308	397,351	-
Working capital	2,402,444	397,351	-
Shareholders' equity	2,402,444	397,351	-
Total revenue	-	-	-
Net loss and comprehensive loss	(94,907)	(149)	-
Loss per share - basic and diluted	(0.01	(0.00)	-

During the period ended November 30, 2020, the Company was incorporated and had minimal transactions.

LIQUIDITY AND CAPITAL RESOURCES
Capital management

The Company considers its capital to be the main component of shareholders' equity. The Company's 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 during the period. The Company is not subject to externally imposed capital requirements.

Liquidity and capital resources

The Company's working capital position at February 28, 2021 was as follows:

	February 28, 2021
	$
Working capital	**397,351**
Deficit	**(149)**

The balance of cash available at February 28, 2021 was $2,460,308 (November 30, 2020 - $247,351) with a working capital of $2,402,444 (November 30, 2020 - $397,351).

The Company anticipates the Company's working capital will continue to improve over time as the Company obtains more funding. The Company intends to fund short-term capital requirements via equity financings.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Liquidity and capital resources – Operating activities

Net cash used in operating activities for the period ended was $37,043. The Company was incorporated during in the prior year and incurred minimal operating expenses during the current period.

Liquidity and capital resources – Financing activities

Net cash provided by financing activities during the period ended February 28, 2021 was $2,100,000. During the period ended February 28, 2021 the Company issued 2,000,000 common shares for gross proceeds of $100,000 and 11,764,706 special warrants for gross proceeds of $2,000,000.

Liquidity and capital resources – Investing activities

Net cash used in investing activities was $385,704. During the period ended February 28, 2021, the Company provided a loan to Sprout pursuant to the LOI.

RELATED PARTY TRANSACTIONS

As at February 28, 2021, the Directors and Executive Officers of the Company are as follows:

Eric Boehnke	Director, CEO, CFO
Alex Shegelman	Director
Todd James Heinzl	Director
Murray Oliver	Former Director

During the period ended February 28, 2021, the Company had $Nil transactions with related parties. As at February 28, 2021, there is $Nil owing from or due to related parties.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Several amendments to existing accounting standards became effective January 1, 2020 and were first adopted by the Company during the period ended November 30, 2020.

Other 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.

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances but are subject to judgments and uncertainties inherent in the financial reporting process. In preparing these MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and loan receivable. Unless otherwise noted, it is management's opinion that the Company is 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 if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and loan receivable. The Company 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.

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.

FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company has 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 will be able to obtain required financing in the future on acceptable terms. The Company anticipated it 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 has 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 has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company 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 in creating revenue, cash flows or earnings.

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 February 28, 2021 cash is measured as a Level 1 financial instrument. The loan receivable is measured as a Level 2 financial instrument.

The Company believes 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.

OTHER RISKS AND UNCERTAINTIES

The Company currently has no business operations and intends to seek new ventures or other opportunities which could include acquiring a business or assets, which in itself could require additional debt or equity financing. There can be no assurances that the Company will continue to be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

OUTSTANDING SHARE DATA

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

	Number of shares issued or issuable
Common shares	18,500,100
Special Warrants	11,764,706
Warrants	9,500,000

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the Company's business which prospective investors should carefully consider before deciding whether to purchase common shares in the Company's authorized capital. These risks and uncertainties are not the only ones we are facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected.

Risk Factors

We may need to raise further capital.

Our business strategy is based in part on the scalability of our operations. In order to expand our operations, we will need to raise additional funds in the future, and such funds may not be available on commercially reasonable terms, if at all. If we cannot raise enough funds on acceptable terms, we may not be able to fully implement our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. This could seriously harm our business, financial condition and results of operations.

Key Personnel Risk

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. We will be dependent upon the capital markets to raise additional financing in the future, while we establish a client base for our product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to us and our management. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations.

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain our earnings to finance further growth and, when appropriate, retire debt.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents. No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.

Audited annual consolidated financial statements of Sprout Panama for the financial year ended October 31, 2020 and the period from November 19, 2018 to October 31, 2019, together with the auditor's report thereon and the management's discussion and analysis relating thereto.

See attached.

SPROUT AI, S.A.

Financial Statements
For the year ended October 31, 2020 and
the period from November 19, 2018 to October 31, 2019
(expressed in United States Dollars)

Independent Auditor's Report

To the Shareholders of Sprout AI, S.A.:

Opinion

We have audited the financial statements of Sprout AI, S.A. (the "Company"), which comprise the statements of financial position as at October 31, 2020 and October 31, 2019, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the year ended October 31, 2020 and the period from November 19, 2018 to October 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and October 31, 2019, and its financial performance and its cash flows for the year ended October 31, 2020 and the period from November 19, 2018 to October 31, 2019 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

MNP

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

MNP LLP

Toronto, Ontario
May 26, 2021

Chartered Professional Accountants
Licensed Public Accountants

MNP

SPROUT AI, S.A.
Statements of Financial Position
(expressed in United States dollars)

	Note	As at October 31, 2020	As at October 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		$ 50	$ —
Total current assets		**50**	**—**
Non-current assets			
Right-of-use asset	5	1,149,333	1,333,226
Equipment and leasehold improvements	6	373,092	473,995
Total non-current assets		**1,522,425**	**1,807,221**
Total assets		**$ 1,522,475**	**$ 1,807,221**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 68,382	$ 8,896
Current portion of lease liability	8	129,729	110,424
Due to parent company	14	2,018,003	1,483,288
Total current liabilities		**2,216,114**	**1,602,608**
Long-term liabilities			
Lease liability	8	1,132,369	1,262,098
Total long-term liabilities		**1,132,369**	**1,262,098**
Total liabilities		**3,348,483**	**2,864,706**
Shareholders' deficiency			
Share capital	9	10,000	10,000
Deficit		(1,836,008)	(1,067,485)
Total shareholders' deficiency		**(1,826,008)**	**(1,057,485)**
Total liabilities and shareholders' deficiency		**$ 1,522,475**	**$ 1,807,221**

Nature of operations (note 1)
Subsequent events (note 15)

Approved on behalf of the Board:

/s/ Chris Bolton
Chris Bolton, Director and
Chairman of the Board

/s/ Kyle Horak .
Kyle Horak, Director

The accompanying notes form an integral part of these financial statements.

SPROUT AI, S.A.
Statements of Loss and Comprehensive Loss
For the year ended October 31, 2020 and the period from November 19, 2018 to October 31, 2019
(expressed in United States dollars)

	Note	2020	2019
Expenses			
General and administrative	12	$ 273,409	$ 694,726
Depreciation	5, 6	284,797	204,097
Interest expense	8	210,317	168,662
		768,523	**1,067,485**
Net loss and comprehensive loss		**(768,523)**	**(1,067,485)**
Loss per share - basic and diluted		$ (7,685.23)	$ (10,674.85)
Weighted average number of shares outstanding - basic and diluted		100	100

The accompanying notes form an integral part of these financial statements.

SPROUT AI, S.A.
Statements of Changes in Shareholders' Deficiency
For the year ended October 31, 2020 and the period from November 19, 2018 to October 31, 2019
(expressed in United States dollars)

	Share capital			
	Common shares Number	**Common shares Amount**	**Deficit**	**Total**
Balance – November 19, 2018	—	$ —	$ —	$ —
Issuance of common shares	100	10,000	—	**10,000**
Net loss and comprehensive loss	—	—	(1,067,485)	**(1,067,485)**
Balance – October 31, 2019	**100**	**$ 10,000**	**$ (1,067,485)**	**$ (1,057,485)**
Net loss and comprehensive loss	—	—	(768,523)	**(768,523)**
Balance – October 31, 2020	**100**	**$ 10,000**	**$ (1,836,008)**	**$ (1,826,008)**

The accompanying notes form an integral part of these financial statements.

SPROUT AI, S.A.
Statements of Cash Flows
For the year ended October 31, 2020 and the period from November 19, 2018 to October 31, 2019
(expressed in United States dollars)

	2020	2019
Cash flows from operating activities		
Net loss	$ (768,523)	$ (1,067,485)
Changes in non-cash operating items:		
Depreciation	284,797	204,097
Interest expense	210,317	168,662
	(273,409)	(694,726)
Changes in non-cash working capital		
Accounts payable and accrued liabilities	59,487	8,896
Due to parent company	213,472	685,830
Net cash used in operating activities	**(450)**	**—**
Cash flows from financing activities		
Parent company loan	500	—
Net cash provided by financing activities	**500**	**—**
Change in cash during the period	50	—
Cash – beginning of period	—	—
Cash – end of period	**$ 50**	**$ —**

The accompanying notes form an integral part of these financial statements.

1. NATURE OF OPERATIONS

Sprout AI, S.A. (the "Company" or "Sprout") is a limited company incorporated on November 19, 2018 in the Republic of Panama through Public Deed No. 30280. Sprout is wholly owned by TheraCann International Benchmark Corporation. The Company is in the business of planning, designing, manufacturing and / or assembling vertical urban farming cultivation equipment comprised of multi-level rolling racks that are populated with self-contained habitats.

The registered office of the Company is in The International Business Park Unit 5B, Building 3860, Panama Pacifico, Republic of Panama.

The Company is registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 of October 7th, 2019.

The 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 in existence.

The recent outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Panama and other countries to contain and treat the disease. The effects that these events will have are highly uncertain and as such, the Company cannot determine the corresponding financial impact at this time.

In March of 2020, the Company was forced to shut down operations under order by the government of Panama and as a result, the Center of Excellence ("COE"), including the majority of all businesses in Panama, were forced to close their doors and require all staff and contractors to work from their home locations. During the period between March and October 2020, Panama then remained under some of the World's most restricted quarantine requirements. Consequently, the Company was forced to lay off its contractors until it would be able to reopen the COE.

Commencing in October 2020, the Company began the process of working both with property manager, its economic zone, its utility companies, and the Federal Health department to re-open the COE. The COE re-opened in December 2020 following formal inspection and approvals, and the Company is currently in the process of fully resuming operations.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were approved and authorized for issuance by the Board of Directors on May 26, 2021.

Basis of presentation

The financial statements have been prepared on a historical cost basis except for some financial instruments that have been measured at fair value.

2. BASIS OF PREPARATION (continued)

Functional and presentation currency

These financial statements have been prepared in United States dollars ("USD"), which is the Company's functional and presentation currency.

Adoption of IFRS 16, Leases

Effective November 19, 2018, the Company adopted IFRS 16. The standard supersedes IAS 17 Leases, International Financial Reporting Interpretations Committee ("IFRIC") 4, Determining Whether An Arrangement Contains a Lease, and related interpretations. IFRS 16 requires the recognition of a right-of-use asset ("ROU asset") and lease obligation on the statement of financial position for most leases, where the Company is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating or finance leases no longer exists, treating all leases as finance leases.

Ongoing recognition and measurement

On the date that the leased asset becomes available for use, the Company recognized an ROU asset and a corresponding lease liability. Interest expense associated with the lease liability is charged to profit or loss over the term of the lease with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured at the net present value of the lease payments which may include: fixed lease payments, variable lease payments that are based on an index or a rate, amounts expected to be payable under residual value guarantees and payments exercised at an extension or a termination option if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is comprised of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the financial statements.

Impairment of non-financial assets

Assets are deemed to be impaired when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Useful life of equipment and leasehold improvements

Management is depreciating the equipment and leasehold improvements using a straight-line basis, with a useful life of:

Equipment	5 years
Leasehold improvements	8 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

The Company has a sublease agreement with a related party, associated primarily with the rental of the Center of Excellence (COE) or office space in general.

Determination of incremental borrowing rate

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

Determination of the lease term

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

4. SIGNIFICANT ACCOUNTING POLICIES

Equipment and leasehold improvements

Equipment and leasehold improvements are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the equipment and any expenditure required to make the equipment ready for use. Repairs and maintenance expenses are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

Depreciation is provided annually on equipment at rates designed to charge the cost of the assets over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of equipment and leasehold improvements:

Equipment	5 years	straight-line
Leasehold improvements	8 years	straight-line

The asset's residual values, useful lives and methods of depreciation are reviewed at each fiscal year end and adjusted prospectively, if appropriate. Depreciation is recognized in the statements of loss and comprehensive loss.

Refer to note 3 for a discussion of the estimation uncertainty in respect of the determination of the appropriate method of depreciation the underlying useful life and the estimation of residual values in respect of equipment and leasehold improvements.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalents are measured at FVTPL.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities and parent company loan are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in profit or loss.

Income taxes

Income tax expense consists of current and deferred tax expenses. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current income tax

Current income tax is measured as the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income.

(expressed in United States dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right to offset.

The Company is domiciled in Panama and is subject to a territorial tax system whereby it is only taxed on income sourced within the country.

5. RIGHT-OF-USE ASSET

	Leased Buildings	Total
Balance as at November 19, 2018	$ —	$ —
Initial ROU asset	1,471,146	1,471,146
Depreciation	(137,920)	(137,920)
Balance as at October 31, 2019	**1,333,226**	**1,333,226**
Depreciation	(183,893)	(183,893)
Balance as at October 31, 2020	**$ 1,149,333**	**$ 1,149,333**

6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

COST	Equipment	Leasehold Improvements	Total
Balance as at October 31, 2019	**$ 433,302**	**$ 106,871**	**$ 540,173**
Balance as at October 31, 2020	**$ 433,302**	**$ 106,871**	**$ 540,173**
ACCUMULATED DEPRECIATION			
Balance as at October 31, 2019	**$ 62,559**	**$ 3,619**	**$ 66,178**
Depreciation	86,660	14,243	100,903
Balance as at October 31, 2020	**$ 149,219**	**$ 17,862**	**$ 167,081**

(expressed in United States dollars)

6. EQUIPMENT (continued)

COST	Equipment	Leasehold Improvements	Total
Balance as at November 19, 2018	$ —	$ —	$ —
Additions	433,302	106,871	540,173
Balance as at October 31, 2019	**$ 433,302**	**$ 106,871**	**$ 540,173**
ACCUMULATED DEPRECIATION			
Balance as at November 19, 2018	$ —	$ —	$ —
Depreciation	62,559	3,619	66,178
Balance as at October 31, 2019	**$ 62,559**	**$ 3,619**	**$ 66,178**
Net book value at October 31, 2019	**$ 370,743**	**$ 103,252**	**$ 473,995**
Net book value at October 31, 2020	**$ 284,083**	**$ 89,009**	**$ 373,092**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at October 31, 2020	As at October 31, 2019
Trade accounts payable	43,382	8,896
Accrued liabilities	25,000	—
Accounts payable and accrued liabilities	**68,382**	8,896

8. LEASE LIABILITY

The Company subleases commercial space and office space from its parent company. The Company's lease commenced on February 1, 2019 and extends to February 1, 2024. The Company has an option to extend the lease beyond the three-year non-cancellable term for an additional term of three years. The Company has determined that it is reasonably certain to exercise this extension period and has therefore included the future lease payments in the extension term when measuring the lease liability and right-of-use asset. The monthly lease charge is $26,729 which is subject to a variable maintenance charge and a variable 10% late fee. The Company has recognized a right-of-use asset in respect of this lease (note 5).

The Company has also recognized a lease liability for this lease, which was initially measured at the present value of the future lease payments, discounted using the Company's incremental borrowing rate of 16.22%. Interest expense on the lease liability is included in the statements of loss and comprehensive loss. The carrying amount of the Company's lease liability is summarized in the table below.

	Lease obligations
Balance as at November 19, 2018	$ —
Initial recognition of lease liability	1,444,418
Interest	168,662
Lease charge due to parent	(240,556)
Balance as at October 31, 2019	**1,372,523**
Interest	210,317
Lease charge due to parent	(320,742)
Balance as at October 31, 2020	**$ 1,262,098**
Current portion	129,729
Long-term portion	1,132,369

(expressed in United States dollars)

8. LEASE LIABILITY (continued)

The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations, as at October 31, 2020:

	Within one year	Later than one year but not later than 5 years	More than 5 years
Lease obligations	$ 320,742	$ 1,282,968	$ 374,199

9. SHARE CAPITAL

During the year ended October 31, 2019:

- the Company was incorporated on November 19, 2018, with an authorized share capital of $10,000, which is divided in 100 common shares with a par value of $100 each.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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.

The fair value of the Company's accounts payable and accrued liabilities and due to parent company loan approximate their carrying values due to their short-term nature. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.

The Company is exposed to various financial instrument related risks:

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company addresses its liquidity through parent company loans. While the Company has been successful in securing parent company loans in the past, there is no assurance that it will be able to do so in the future. All of the Company's liabilities, with the exception of the lease liability, are due within the next year.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. As at October 31, 2020 and 2019, the Company is not exposed to any significant interest rate risk. The parent company loans are interest free.

11. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of issued share capital and a parent company loan. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

(expressed in United States dollars)

12. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the statements of loss and comprehensive loss. Below is a breakdown of what is included within general and administrative expenses:

	2020	2019
General and administrative		
Office and administrative	$ 19,303	$ 42,551
Legal and professional fees	26,500	—
Contractor fees	227,606	323,561
Consulting fees	—	328,614
	$ 273,409	**$ 694,726**

13. INCOME TAXES

The Company is domiciled in Panama and is subject to a territorial tax system whereby it is only taxed on income sourced within the country. The Company did not earn any income within the country of Panama during the period ended October 31, 2020 and the period November 19, 2018 to October 31, 2019.

14. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors. The Company is charged management services by its parent company, which represent an estimate of parent company resources used in relation to the activities of the Company.

The management service charges for the periods ended October 31, 2020 and 2019 included the following:

	2020	2019
Management services	$ 164,458	$ 143,561

As at October 31, 2020, the Company has outstanding loans to its parent company of $2,018,003 (2019 – $1,483,288) for payments or advances made by the parent on the Company's behalf. Included in accounts payable and accrued liabilities was unpaid contractor fees to key management for $11,827 (2019 – $nil). Included in the outstanding loan to parent company are $588,027 (2019 – $267,285) of lease charges due to the parent in connection with the Company's sublease.

15. SUBSEQUENT EVENTS

Promissory note and definitive agreement

On November 5, 2020, the Company ("Borrower") entered into a one-year secured Promissory Note ("Note") with 1262803 B.C. Ltd. ("the Lender") for $150,000 Canadian dollars in accordance with the terms of a signed Letter of Intent between Borrower and Lender. The Note bears interest at 8% annually. The principal amount unpaid and outstanding and all accrued and unpaid interest shall be due and payable to the Lender on the earlier of: (i) the date that is one year following the termination date; and (ii) the date the lender declares the principal amount to be immediately due and payable following an event of default. The Note is secured by all tangible assets of the Company. However, as the Note was provided for the purpose of accelerating a public offering of the Company, if the Closing Date occurs: (i) the Principal Amount and all accrued and unpaid interest of the Note shall be reduced to nil; (ii) this Note shall be cancelled; and (iii) Borrower shall thereafter have no liability hereunder, in each case effective as of the Closing Date. An additional $250,000 Canadian dollars will be advanced to the Company upon the execution of the Definitive Agreement.

15. SUBSEQUENT EVENTS (continued)

On, December 8, 2020, the Company entered into a definitive agreement with 1262803 B.C. Ltd. (“126”) where by 126 agree to acquire the Company in exchange for shares of 126. In connection with the signing of the definitive agreement, Sprout received the additional $250,000 Canadian dollar bridge loan. The terms of the definitive agreement specify that 126 will issue 50,000,000 common shares and 10,000,000 performance-based share purchase warrants to TheraCann International Benchmark Corporation as consideration for all of the outstanding shares of Sprout. Each performance-based share purchase warrant will be exercisable into one common share of the resulting issuer at a price of CAD $0.17 for a period of three years. The warrants will only become exercisable by the holder upon the achievement of certain cumulative revenue milestones.

On February 19, 2021, the Company entered into an amended and restated Promissory Note with 126 for an additional $300,000 Canadian dollars in accordance with the terms of a signed Letter of Intent and Definitive agreement between the Company and 126. Effective as of the date of receipt of such loan, the Principal Amount shall be increased dollar-for-dollar by the February 2021 amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for Sprout AI, S.A. ("Sprout" or the "Company"), for the year ended October 31, 2020 and the period from November 19, 2018 to October 31, 2019.

This document should be read in conjunction with the information contained in the Company's audited financial statements and related notes for the year ended October 31, 2020 (the "2020 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("$") and "USD" amounts and references in this MD&A are in United States dollars.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, May 26, 2021, being the date the Company's board of directors (the "Board") approved this MD&A and the Q4 2020 Financial Statements. All quarterly information contained herein is unaudited. Additional information about the Company can be found in the Company's filings with securities regulatory authorities, which are available under the Company's profile on SEDAR at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved". Statements containing forward-looking information are made as of the date of MD&A and include, but are not limited to, statements with respect to: the Company's business objectives and research and development activities; the performance of the Company's business and operations; the intention to grow the business, operations and potential activities of the Company; the COVID-19 pandemic, the Company's and governmental authorities' current and planned responses thereto and the impact thereof on, without limitation, the Company in particular and the vertical farming industry in general; the anticipated growth of the industry; the competitive conditions of the industry in which the Company operates; the applicable laws, regulations and any amendments thereof; the competitive advantages and business strategies of the Company; the projected sales pipelines of the Company; the anticipated benefits of the Company's distribution relationship with TheraCann; the anticipated future gross revenues and profit margins of the Company's operations; the Company's ability to raise sufficient financing, if and when necessary, to continue its operations; and the Company's expectations regarding revenues, expenses and anticipated cash needs.

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: general economic, market and business conditions in Panama, Canada and other countries, including reduced availability of debt and equity financing generally; the Company's ability to raise equity and/or debt financing on acceptable terms; global or national health concerns, including the outbreak of pandemic or contagious diseases, such as COVID-19 and including the evolution of new variants of COVID-19, the duration and effect thereof and delays relating to vaccine development, procurement and distribution; risks relating to the effective management of the Company's growth; liabilities and risks, including environmental liabilities and risks associated with the Company's operations; the execution of strategic growth plans; the Company's ability to attract and retain customers; the competitive nature of the industries in which the Company operates; competition for, among other things, capital and skilled personnel and management; limitations on insurance; failure to obtain industry partner and other third party consents and approvals when required; failure to obtain granted patents for applied patents and failure to have patent assignments properly recorded; imprecision in estimating capital expenditures and operating expenses; fluctuations in pricing environments; stock market volatility; the impact of new laws and regulatory requirements and other laws and regulations and changes in how they are interpreted and enforced; the Company's ability to maintain required regulatory approvals; geopolitical, political and economic conditions; the results of litigation or regulatory proceedings that may be brought against the Company; changes in income tax laws; management's success in anticipating and managing the foregoing factors; and the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning: timely receipt of the necessary regulatory (including stock exchange) approvals and other required approvals; operating and capital costs, including the amount and nature thereof; availability of capital resources; the Company's ability to generate sufficient cash flow from operations and to access facilities and capital markets to meet its future obligations; the effect of the COVID-19 pandemic on the Company's business; the Company will have the ability to continue as a going concern going forward and realize its assets and discharge its liabilities in the normal course of business; trends and developments in the Company's industry; business strategy and outlook; customer demand; opportunities available to or pursued by the Company; expansion and growth of business and operations; the Company's ability to attract and retain qualified personnel or management; credit risks; stability of general economic and financial market conditions; and in relation to the Company's expectations regarding revenues from sales orders obtained to date, assumptions relating to manufacturing and manufacturing capacity, consumer demand for the Company's products and ability of customers to satisfy payment obligations under sales orders, pricing of products, cost of sales and general and administrative expenses (including sales and marketing expenses). In particular, the Company has assumed and expects that, among other things: (i) its products will meet the specifications of it and its customers; (ii) the pricing of its products will be in line with the disclosure herein; and (iii) it will have capacity to manufacture a sufficient number of habitats to satisfy sales orders after its initial scale-up.

Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable Canadian securities laws.

BUSINESS OVERVIEW

Overview

The Company is committed to both environmental and social sustainability. Its vision is to be a leader in urban vertical cultivation technology by ensuring each harvest is of high quality, producing high yield, and is consistent with the last batch to reduce product variability. To accomplish this vision its mission is to develop an innovative and adaptable solution to the regulatory demands relating to quality, traceability, and audit of crop production.

The Company was formed to plan, design, implement, and support unique vertical automated aeroponic grow habitats and technologies designed to operate within high-density urban settings with access to limited power and water.

The Panama-Pacifico Special Economic Area ("Panama Pacifico") was created by the Panamanian Government in 2004. Entities located within Panama Pacifico are allowed to develop all types of economic activities not expressly prohibited by Panamanian legislation, however only profits from specified activities, including manufacturing high technology products or producing goods with cutting-edge technologies, will benefit from full incentives of the regime, namely, "tax-free" status with respect to corporate tax, duty tax and sales tax. There is no legally-required minimum investment for a company to operate in the Panama Pacifico area. However, leasing of space is required within the Panama Pacifico area. Once admitted into Panama Pacifico, there is no expiry to this exemption provided that a company continues to reside within, and is able to maintain operations within, this special zone.

On October 7, 2019, Sprout Panama was accepted as a "high tech" company within Panama Pacifico and as such is provided a "tax-free" status for corporate tax, duty tax, and sales tax. Tax on shareholder dividends is fixed at 0.05%.

Production

Production of the Company is conducted at its Center of Excellence ("COE") which is located in Panama Pacifico, Panama.

The COE is comprised of both a two-level open office concept as well as a warehouse designed for large-scale manufacturer, quality assurance, packaging, and shipping of Sprout Panama directly to the Panama Canal. The total building occupies 37,500 sq. ft (3500 sq. m.). The main warehouse is sectioned into inventory receiving, component testing, assembly, final quality testing, packaging, and area for ongoing research and development and new version development. The offices are segmented into tissue culture lab, administrative and operational staff. In 2019 over 600 visitors from governments, regulatory authorities, producers, vendors, and potential clients visited the COE.

The Technology

Sprout AI's proprietary cultivation technology is provided within a 10" long x 5" wide x 6" tall sealed habitat. Sprout AI's habitat is designed to manage multiple crops including leafy green, micro-green, berries, fruit, and is in process of testing for fungi. The number of plants cultivated within each habitat depends largely on the size of the plant grown. On average, a minimum of 32 plants can be grown per habitat.

Each Sprout AI habitat is equipped to manage air temperature, humidity, and quality, water temperature, nutrient level, and quality, light duration and intensity, CO2 duration and intensity. Each habitat is then remotely controlled and managed via a secure web-based software interface module known as the Sprout AI module.

The Sprout AI module can be licensed as a standalone application or together as a fully integrated module to the One System One Solution (OS2) enterprise relational planning and compliance (ERPc) software known as simply as OS2. Sprout AI can be sold separately or as part of a five year Managed Services Agreement (MSA) through Sprout AI's partnership with TheraCann.

Sprout AI is designed to be completely module and as such can be sold as an individual habitat.

COVID-19

The recent outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting economic activity worldwide. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The pandemic outbreak and the related mitigation measures imposed by governments may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, quarantine, business disruptions, and the effectiveness of actions taken in Panama and other countries to contain and treat the disease. The effects that these events will have are highly uncertain and as such, the Company cannot determine the corresponding financial impact at this time.

In March of 2020, the Company was forced to shut down operations under order by the government of Panama and as a result, the COE, including the majority of all businesses in Panama, were forced to close their doors and require all staff and contractors to work from their home locations. During the period between March and October 2020, Panama then remained under some of the world's most restricted quarantine requirements. Consequently, the Company was forced to lay off its contractors until it would be able to reopen the COE.

Commencing in October 2020, the Company began the process of working both with property manager, its economic zone, its utility companies, and the Federal Health department to re-open the COE. The COE re-opened in December 2020 following formal inspection and approvals, and the Company is currently in the process of fully resuming operations.

SUBSEQUENT EVENTS

Promissory note

On November 5, 2020, the Company ("Borrower") entered into a one-year secured Promissory Note ("Note") with 1262803 B.C. Ltd. ("the Lender") for $150,000 Canadian dollars in accordance with the terms of a signed Letter of Intent between Borrower and Lender. The Note bears interest at 8% annually. The principal amount unpaid and outstanding and all accrued and unpaid interest shall be due and payable to the Lender on the earlier of: (i) the date that is one year following the termination date; and (ii) the date the lender declares the principal amount to be immediately due and payable following an event of default. The Note is secured by all tangible assets of the Company. However, as the Note was provided for the purpose of accelerating a public offering of the Company, if the Closing Date occurs: (i) the Principal Amount and all accrued and unpaid interest of the Note shall be reduced to nil; (ii) this Note shall be cancelled; and (iii) Borrower shall thereafter have no liability hereunder, in each case effective as of the Closing Date. An additional $250,000 Canadian dollars will be advanced to the Company upon the execution of the Definitive Agreement.

Definitive agreement

On, December 8, 2020, the Company entered into a definitive agreement with 1262803 B.C. Ltd. ("126") where by 126 agree to acquire the Company in exchange for shares of 126. In connection with the signing of the definitive agreement, Sprout received the additional $250,000 Canadian dollar bridge loan. The terms of the definitive agreement specify that 126 will issue 50,000,000 common shares and 10,000,000 performance-based share purchase warrants to TheraCann International Benchmark Corporation as consideration for all of the outstanding shares of Sprout. Each performance-based share purchase warrant will be exercisable into one common share of the resulting issuer at a price of CAD $0.17 for a period of three years. The warrants will only become exercisable by the holder upon the achievement of certain cumulative revenue milestones.

OUTLOOK

Sprout AI Installation and Sales Pipeline

Sprout AI version 1.1 is currently installed and in operation at the COE at Panama Pacifico, Republic of Panama. Version 1.1 is comprised of one rack consisting of three rows of five habitats each. Currently, Sprout's habitats have successfully produced a number of varieties of leafy green and microgreen products at the COE. Sprout AI is actively seeking a project with one or more of the existing Panama grocery store chains to provide products and to measure key performance indicators of Sprout AI produce to existing traditional produce with aim of securing a long-term supply agreement. Sprout AI is currently using its facility in Panama to study how to further improve cultivation capabilities and growth cycles in the habits.

In the past six months Sprout AI has obtained three sales orders from TheraCann for Sprout AI habitats. The current sales orders are with three separate TheraCann clients are located in New Zealand, South Africa and Zimbabwe, strategically chosen for their lower level of COVID-19 related economic disruption. Each sales order is the first of a three year quarterly rolling order for Sprout AI units.

The habitats are being sold for US$15,000 each and require a 50% order commencement fee and the remaining 50% purchase payment on shipment from Panama. The orders are expected to commence in 2021 with an increase in quarterly deliveries through 2022 and completing by early 2024. There can be no assurances that the full potential of these sales orders can be realized until both the commencement fee and remaining purchase payment has been received for each sales order of each rolling order. In April 2021, Sprout AI issued an invoice for an initial 140 habitats and expects to receive a commencement fee of US$1,050,000 on or prior to May 21, 2021.

In the past three months Sprout AI has launched an updated web page, social media, and marketing materials to attract new potential buyers of Sprout AI. The full potential of this marketing campaign has not yet been realized but is expected to be well underway by Q3 2021. Over the next three years, Sprout AI expects to close current sales in New Zealand, South Africa and Zimbabwe and identify new buyers, with a focus on the North American market.

Relationships and Partnerships

Everleaf Capital is a Canadian based company that assists companies based in Canada, the United States and internationally seek and complete major transactions to further expand their business through, among other things, mergers and acquisitions and investment. On October 2, 2020, Sprout Panama entered into an advisory services agreement with Everleaf Capital whereby Everleaf Capital agreed to provide strategic advisory services to Sprout Panama.

Distribution Agreement with TheraCann

The Company has a sales team tasked with finding, building and supporting sales and customer relationships. In addition, the Company has a distribution agreement with TheraCann (the "Distribution Agreement") pursuant to which TheraCann was appointed as non-exclusive distributor for the purpose of marketing, selling, providing training and support for Sprout AI units being delivered to TheraCann client project locations. Pursuant to the agreement, TheraCann has agreed to offer, advertise, demonstrate and otherwise promote the sale of the Sprout AI units in the jurisdictions where TheraCann's clients operate throughout the term of the agreement. The agreement has an initial term of five years and contains mutual non-solicitation provisions. TheraCann has provided services to Federal Governments and/or interested corporate parties wishing to obtain a turn-key solution for indoor cultivation projects in 22 countries including countries in North, Central, and South America, Oceana, Africa, and Europe. Sprout AI has been featured as its primary indoor cultivation technology. The Distribution Agreement represents an additional pathway to sales, in addition to the Company's independent efforts, namely, the existing client network of TheraCann.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three month and years ended October 31, 2020 and for the three months and the period from November 19, 2018 to October 31, 2019, is set forth below.

	Three Months Ended October 31,		Year ended October 31,	
	2020	2019	2020	2019
Net loss and comprehensive loss	213,544	319,079	768,523	1,067,485
Total assets	1,522,475	1,807,221	1,522,475	1,807,221
Total liabilities	3,348,483	2,864,706	3,348,483	2,864,706
Basic and diluted loss and comprehensive loss per common share	$ 2,135.44	$ 3,190.79	$ 7,685.23	$ 10,674.85

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended October 31, 2020 and 2019

	Three Months Ended October 31,			
	2020	**2019**	**Variance**	**% Change**
General and administrative	91,525	192,701	(101,176)	(52.5%)
Depreciation	71,130	71,130	—	---%
Interest expense	50,889	55,248	(4,359)	(7.9%)

General and administrative

General and administrative expenses decreased from $192,701 for the three months ended October 31, 2019, to $91,525 for the three months ended October 31, 2020, a decrease of 52.5%. The decrease in general and administrative expense for the three months ended October 31, 2020 as compared to the prior year period was primarily the result of (i) decreased contractor fees because of layoffs during 2020 stemming from the COVID-19 shutdown in Panama, and (ii) decreased office and administrative costs, such as internet, utilities etc., coinciding with the temporary closure of the Center of Excellence (COE) in Panama in connection with the COVID-19 global pandemic.

Depreciation

During the three months ended October 31, 2020 and 2019, the Company incurred depreciation expense of $71,130. Depreciation expense relates to (i) the depreciation on the equipment and leasehold improvements and (ii) depreciation on the Right of Use asset.

Interest expense

During the three months ended October 31, 2020, the Company incurred interest expenses of $50,889 compared to interest expense of $55,248 for the prior year period, resulting in a variance of $4,359 or (7.9%). During the three months ended October 31, 2020 and 2019, interest expense relates to interest accretion related to the Company's lease liability.

Comparison of the Year Ended October 31, 2020 and for the period from November 19, 2018 to October 31, 2019

	Year Ended October 31,			
	2020	2019	Variance	% Change
General and administrative	273,409	694,726	(421,317)	(60.6%)
Depreciation	284,797	204,097	80,700	39.5%
Interest expense	210,317	168,662	41,655	24.7%

General and administrative

General and administrative expenses decreased from $694,726 for the period from November 19, 2018 to October 31, 2019, to $273,409 for the year ended October 31, 2020, a decrease of 60.6%. The decrease in general and administrative expense for the year ended October 31, 2020 as compared to the prior year period was primarily the result of (i) decreased contractor fees as a result of layoffs during 2020 stemming from the COVID-19 shutdown in Panama, and (ii) decreased office and administrative costs such as internet, utilities etc. coinciding with the closure of the Center of Excellence (COE) in Panama in connection with the COVID-19 pandemic.

Depreciation

During the year ended October 31, 2020 and for the period November 19, 2018 to October 31, 2019, the Company incurred depreciation expense of $284,797 and $204,097 respectively. Depreciation expense relates to (i) the depreciation on the equipment and leasehold improvements and (ii) depreciation on the Right of Use asset. The variance of $80,700 or 39.5% is due to a full year of amortization for 2020 as compared to 2019 when the equipment and leasehold improvements as well as the Right-of Use asset, were acquired in February of 2019.

Interest expense

During the year ended October 31, 2020, the Company incurred interest expenses of $210,317 compared to interest expense of $168,662 for the period from November 19, 2018 to October 31, 2019, resulting in a variance of $80,700 or 24.7%. During the year ended October 31, 2020 and for the period from November 19, 2018 to October 31, 2019, interest expense relates to interest accretion related to the Company's lease liability.

SUMMARY OF QUARTERLY RESULTS

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS.

	For the three months ended (unaudited)			
	January 31, 2019	April 30, 2019	July 31, 2019	October 31, 2019
Net loss and comprehensive loss	330,600	202,463	215,343	319,079
Total assets	354,665	1,807,812	1,833,917	1,807,221
Total liabilities	675,265	233,876	2,572,324	2,864,706
Basic and diluted loss and comprehensive loss per common share	$ 3,306.00	$ 2,024.63	$ 2,153.43	$ 3,190.79

	For the three months ended (unaudited)			
	January 31, 2020	April 30, 2020	July 31, 2020	October 31, 2020
Net loss and comprehensive loss	235,443	168,244	151,292	213,544
Total assets	1,735,815	1,664,961	1,593,554	1,522,475
Total liabilities	3,019,847	3,117,238	3,197,123	3,348,483
Basic and diluted loss and comprehensive loss per common share	$ 2,354.43	$ 1,682.44	$ 1,512.92	$ 2,135.44

For the eight most recent quarters presented, the Company did not have any revenues. Net loss and comprehensive loss are primarily comprised of contractor fees for the buildout and development of the Company's vertical automated aeroponic grow habitats. While the Company is not exposed to the effects of seasonality on its business, the Company has been negatively impacted by the COVID-19 pandemic.

In March of 2020, the Company was forced to shut down operations under order by the government of Panama and as a result, the COE, including the majority of all businesses in Panama, were forced to close their doors and require all staff and contractors to work from their home locations. During the period between March and October 2020, Panama then remained under some of the world's most restricted quarantine requirements. Consequently, the Company was forced to lay off its contractors until it would be able to reopen the COE. The Company

Commencing in October 2020, the Company began the process of working both with property manager, its economic zone, its utility companies, and the Federal Health department to re-open the COE. The COE re-opened in December 2020 following formal inspection and approvals, and the Company is currently in the process of fully resuming operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent upon the Company's ability to profitably sell, distribute and implement its vertically automated aeroponic grow habitats. As at October 31, 2020, the Company had negative working capital of $2,216,064 and has an accumulated deficit of $1,836,008 since its inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing, to commence profitable operations in the future and to repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Contractual obligations

The following is a summary of the Company's contractual obligations at October 31, 2020:

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Lease obligations	1,977,909	320,742	641,484	641,484	374,199
Total	**$ 1,977,909**	**$ 320,742**	**$ 641,484**	**$ 641,484**	**$ 374,199**

[1]Includes principal and interest.

Financial instruments and risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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.

The fair value of the Company's accounts payable and accrued liabilities and due to parent company loan approximate their carrying values due to their short-term nature. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.

The Company is exposed to various financial instrument related risks:

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company addresses its liquidity through parent company loans. While the Company has been successful in securing parent company loans in the past, there is no assurance that it will be able to do so in the future. All of the Company's liabilities, with the exception of the lease liability, are due within the next year.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. As at October 31, 2020 and 2019, the Company is not exposed to any significant interest rate risk. The parent company loans are interest free.

CASH FLOWS BY ACTIVITY

Comparison of the Three Months Ended October 31, 2020 and 2019

The table below outlines a summary of cash inflows and outflows by activity for the three months ended October 31, 2020, and 2019.

	Three Months Ended October 31,	
	2020	**2019**
Net used in operating activities	$ (450)	$ —
Net cash provided by financing activities	$ 500	$ —

Cash used in Operating Activities

During the three months ended October 31, 2020, TheraCann advanced the Company $500 to open a bank account and pay certain accounts payable out of a Sprout designated bank account. For the three months ended October 31, 2019, there was nil cash provided by or used in operating activities. All other operating expenses were paid directly by TheraCann and are included in the due to parent company balance on the balance sheet.

Cash provided by Financing Activities

During the three months ended October 31, 2020, TheraCann advanced the Company $500 to open a bank account and pay certain accounts payable out of a Sprout designated bank account. For the three months ended October 31, 2019, there was nil cash provided by or used in financing activities.

Comparison of the Year Ended October 31, 2020 and for the period from November 19, 2018 to October 31, 2019

The table below outlines a summary of cash inflows and outflows by activity for the year ended October 31, 2020 and for the period from November 19, 2018 to October 31, 2019.

	Year Ended October 31,	
	2020	**2019**
Net used in operating activities	$ (450)	$ —
Net cash provided by financing activities	$ 500	$ —

Cash used in Operating Activities

During the year ended October 31, 2020, TheraCann advanced the Company $500 to open a bank account and pay certain accounts payable out of a Sprout designated bank account. For the period November 19, 2018 to October 31, 2019, there was nil cash provided by or used in financing activities. All other operating expenses were paid directly by TheraCann and are included in the due to parent company balance on the balance sheet.

Cash provided by Financing Activities

During the year ended October 31, 2020, TheraCann advanced the Company $500 to open a bank account and pay certain accounts payable out of a Sprout designated bank account. For the period November 19, 2018 to October 31, 2019, there was nil cash provided by or used in financing activities.

SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the financial statements.

Impairment of non-financial assets

Assets are deemed to be impaired when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights.

Useful life of equipment and leasehold improvements

Management is depreciating the equipment and leasehold improvements using a straight-line basis, with a useful life of:

Equipment	5 years
Leasehold improvements	8 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

The Company has a sublease agreement with a related party, associated primarily with the rental of the Center of Excellence (COE) or office space in general.

Determination of incremental borrowing rate

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

Determination of the lease term

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

SIGNIFICANT ACCOUNTING POLICIES

Equipment and leasehold improvements

Equipment and leasehold improvements are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the equipment and any expenditure required to make the equipment ready for use. Repairs and maintenance expenses are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

Depreciation is provided annually on equipment at rates designed to charge the cost of the assets over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of equipment and leasehold improvements:

Equipment	5 years	straight-line
Leasehold improvements	8 years	straight-line

The asset's residual values, useful lives and methods of depreciation are reviewed at each fiscal year end and adjusted prospectively, if appropriate. Depreciation is recognized in the statements of loss and comprehensive loss.

Refer to note 3 for a discussion of the estimation uncertainty in respect of the determination of the appropriate method of depreciation the underlying useful life and the estimation of residual values in respect of equipment and leasehold improvements.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalents are measured at FVTPL.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities and parent company loan are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in profit or loss.

Income taxes

Income tax expense consists of current and deferred tax expenses. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current income tax

Current income tax is measured as the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right to offset.
The Company is domiciled in Panama and is subject to a territorial tax system whereby it is only taxed on income sourced within the country.

RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors. The Company is charged management services by its parent company, which represent an estimate of parent company resources used in relation to the activities of the Company.

The management service charges for the periods ended October 31, 2020 and 2019 included the following:

	2020	2019
Management services	$ 164,458	$ 143,561

As at October 31, 2020, the Company has outstanding loans to its parent company of $2,018,003 (2019 – $1,483,288) for payments or advances made by the parent on the Company's behalf. Included in accounts payable and accrued liabilities was unpaid contractor fees to key management for $11,827 (2019 – $nil). Included in the outstanding loan to parent company are $588,027 (2019 – $267,285) of lease charges due to the parent in connection with the Company's sublease.

OFF BALANCE SHEET ARRANGEMENTS

As at October 31, 2020, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value and an unlimited number of common shares. The table below lists the securities outstanding:

	As at May 26, 2021
Common shares	100
Total Common Shares on a fully-diluted basis	**100**

Unaudited interim condensed financial statements of Sprout Panama the three months ended January 31, 2021, together with the management's discussion and analysis relating thereto.

See attached.

SPROUT AI, S.A.

Condensed Interim Financial Statements
For the three months ended January 31, 2021 and 2020
(expressed in United States Dollars - unaudited)

SPROUT AI, S.A.
Condensed Interim Statements of Financial Position
(expressed in United States dollars - unaudited)

	Note	As at January 31, 2021	As at October 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		$ 1,011	$ 50
Prepaid expenses		8,655	—
Total current assets		**9,666**	**50**
Non-current assets			
Right-of-use asset	4	1,103,361	1,149,333
Equipment and leasehold improvements	5	357,938	373,092
Total non-current assets		**1,461,299**	**1,522,425**
Total assets		**$ 1,470,965**	**$ 1,522,475**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	6	$ 74,089	$ 68,382
Current portion of lease liability	7	135,061	129,729
Promissory note	8	321,119	—
Due to parent company	12	1,982,526	2,018,003
Total current liabilities		**2,512,795**	**2,216,114**
Long-term liabilities			
Lease liability	7	1,096,539	1,132,369
Total long-term liabilities		**1,096,539**	**1,132,369**
Total liabilities		**3,609,334**	**3,348,483**
Shareholders' deficiency			
Share capital	9	10,000	10,000
Deficit		(2,148,369)	(1,836,008)
Total shareholders' deficiency		**(2,138,369)**	**(1,826,008)**
Total liabilities and shareholders' deficiency		**$ 1,470,965**	**$ 1,522,475**

Nature of operations (note 1)
Subsequent events (note 12)

Approved on behalf of the Board:

/s/ Chris Bolton
Chris Bolton, Director and
Chairman of the Board

/s/ Kyle Horak .
Kyle Horak, Director

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

SPROUT AI, S.A.
Condensed Interim Statements of Loss and Comprehensive Loss
For the three months ended January 31, 2021 and 2020
(expressed in United States dollars - unaudited)

	Note	2021	2020
Expenses			
General and administrative	11	$ 188,260	$ 109,813
Depreciation	4, 5	71,199	71,407
Interest expense	7, 8	52,902	54,224
		312,361	**235,444**
Net loss and comprehensive loss		**(312,361)**	**(235,444)**
Loss per share - basic and diluted		$ (3,123.61)	$ (2,354.44)
Weighted average number of shares outstanding - basic and diluted		100	100

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

SPROUT AI, S.A.
Condensed Interim Statements of Changes in Shareholders' Deficiency
For the three months ended January 31, 2021 and 2020
(expressed in United States dollars - unaudited)

	Share capital			
	Common shares Number	Common shares Amount	Deficit	Total
Balance – October 31, 2019	**100**	**$ 10,000**	**$ (1,067,485)**	**$ (1,057,485)**
Net loss and comprehensive loss	—	—	(235,444)	**(235,444)**
Balance – January 31, 2020	**100**	**$ 10,000**	**$ (1,302,929)**	**$ (1,292,929)**
Balance – October 31, 2020	**100**	**$ 10,000**	**$ (1,836,008)**	**$ (1,826,008)**
Net loss and comprehensive loss	—	—	(312,361)	**(312,361)**
Balance – January 31, 2021	**100**	**$ 10,000**	**$ (2,148,369)**	**$ (2,138,369)**

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

SPROUT AI, S.A.
Condensed Interim Statements of Cash Flows
For the three months ended January 31, 2021 and 2020
(expressed in United States dollars - unaudited)

	2021	2020
Cash flows from operating activities		
Net loss	$ (312,361)	$ (235,444)
Changes in non-cash operating items:		
Depreciation	71,199	71,407
Interest expense	52,902	54,224
Foreign exchange loss	3,376	—
	(184,884)	(109,813)
Changes in non-cash working capital		
Accounts payable and accrued liabilities	4,894	—
Due to parent company	67,914	109,813
Net cash used in operating activities	**(112,076)**	**—**
Cash flows from financing activities		
Proceeds from promissory note	113,037	—
Net cash provided by financing activities	**113,037**	**—**
Change in cash during the period	961	—
Cash – beginning of period	50	—
Cash – end of period	**$ 1,011**	**$ —**

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

1. NATURE OF OPERATIONS

Sprout AI, S.A. (the "Company" or "Sprout") is a limited company incorporated on November 19, 2018 in the Republic of Panama through Public Deed No. 30280. Sprout is wholly owned by TheraCann International Benchmark Corporation. The Company is in the business of planning, designing, manufacturing and / or assembling vertical urban farming cultivation equipment comprised of multi-level rolling racks that are populated with self-contained habitats.

The registered office of the Company is in The International Business Park Unit 5B, Building 3860, Panama Pacifico, Republic of Panama.

The Company is registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 of October 7th, 2019.

The condensed interim 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 in existence.

The recent outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Panama and other countries to contain and treat the disease. The effects that these events will have are highly uncertain and as such, the Company cannot determine the corresponding financial impact at this time.

In March of 2020, the Company was forced to shut down operations under order by the government of Panama and as a result, the Center of Excellence ("COE"), including the majority of all businesses in Panama, were forced to close their doors and require all staff and contractors to work from their home locations. During the period between March and October 2020, Panama then remained under some of the World's most restricted quarantine requirements. Consequently, the Company was forced to lay off its contractors until it would be able to reopen the COE.

Commencing in October 2020, the Company began the process of working both with property manager, its economic zone, its utility companies, and the Federal Health department to re-open the COE. The COE re-opened in December 2020 following formal inspection and approvals, and the Company is currently in the process of fully resuming operations.

On, December 8, 2020, the Company entered into a definitive agreement with 1262803 B.C. Ltd. ("126") where by 126 agrees to acquire the Company in exchange for shares of 126. The terms of the definitive agreement specify that 126 will issue 50,000,000 common shares and 10,000,000 performance-based share purchase warrants to TheraCann International Benchmark Corporation as consideration for all of the outstanding shares of Sprout. Each performance-based share purchase warrant will be exercisable into one common share of the resulting issuer at a price of CAD $0.17 for a period of three years. The warrants will only become exercisable by the holder upon the achievement of certain cumulative revenue milestones.

2. BASIS OF PREPARATION

Statement of compliance

The Company applies international Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS interpretations Committee. These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. Accordingly, they do not include all the information required for full annual financial statements and readers of these condensed interim financial statements are advised to review the audited financial statements and accompanying notes for the year ended October 31, 2020 in conjunction with the review of these statements. These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on May 26, 2021. The same accounting policies and methods of computation are followed in these condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended October 31, 2020.

2. BASIS OF PREPARATION (continued)

Basis of presentation

The condensed interim financial statements have been prepared on a historical cost basis except for some financial instruments that have been measured at fair value.

Functional and presentation currency

These condensed interim financial statements have been prepared in United States dollars ("USD"), which is the Company's functional and presentation currency.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the condensed interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the condensed interim financial statements.

Impairment of non-financial assets

Assets are deemed to be impaired when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights.

Useful life of equipment and leasehold improvements

Management is depreciating the equipment and leasehold improvements using a straight-line basis, with a useful life of:

Equipment	5 years
Leasehold improvements	8 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

The Company has a sublease agreement with a related party, associated primarily with the rental of the Center of Excellence (COE) or office space in general.

Determination of incremental borrowing rate

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

(expressed in United States dollars - unaudited)

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Determination of the lease term

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

4. RIGHT-OF-USE ASSET

	Leased Buildings	Total
Balance as at October 31, 2019	**$ 1,333,226**	**$ 1,333,226**
Depreciation	(183,893)	(183,893)
Balance as at October 31, 2020	1,149,333	1,149,333
Depreciation	(45,972)	(45,972)
Balance as at January 31, 2021	**$ 1,103,361**	**$ 1,103,361**

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

COST	Equipment	Leasehold Improvements	Total
Balance as at October 31, 2020	**$ 433,302**	**$ 106,871**	**$ 540,173**
Additions	10,072	—	10,072
Balance as at January 31, 2021	**$ 443,374**	**$ 106,871**	**$ 550,245**
ACCUMULATED DEPRECIATION			
Balance as at October 31, 2020	**$ 149,219**	**$ 17,862**	**$ 167,081**
Depreciation	21,665	3,561	25,226
Balance as at January 31, 2021	**$ 170,884**	**$ 21,423**	**$ 192,307**

(expressed in United States dollars - unaudited)

5. EQUIPMENT (continued)

COST	Equipment	Leasehold Improvements	Total
Balance as at October 31, 2019	**$ 433,302**	**$ 106,871**	**$ 540,173**
Balance as at October 31, 2020	**$ 433,302**	**$ 106,871**	**$ 540,173**
ACCUMULATED DEPRECIATION			
Balance as at October 31, 2019	**$ 62,559**	**$ 3,619**	**$ 66,178**
Depreciation	86,660	14,243	100,903
Balance as at October 31, 2020	**$ 149,219**	**$ 17,862**	**$ 167,081**
Net book value at October 31, 2020	**284,083**	**89,009**	**373,092**
Net book value at January 31, 2021	**$ 272,490**	**$ 85,448**	**$ 357,938**

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at January 31, 2021	As at October 31, 2020
Trade accounts payable	55,203	43,382
Accrued liabilities	18,886	25,000
Accounts payable and accrued liabilities	**74,089**	68,382

7. LEASE LIABILITY

The Company subleases commercial space and office space from its parent company. The Company's lease commenced on February 1, 2019 and extends to February 1, 2024. The Company has an option to extend the lease beyond the three-year non-cancellable term for an additional term of three years. The Company has determined that it is reasonably certain to exercise this extension period and has therefore included the future lease payments in the extension term when measuring the lease liability and right-of-use asset. The monthly lease charge is $26,729 which is subject to a variable maintenance charge and a variable 10% late fee. The Company has recognized a right-of-use asset in respect of this lease (note 5).

The Company has also recognized a lease liability for this lease, which was initially measured at the present value of the future lease payments, discounted using the Company's incremental borrowing rate of 16.22%. Interest expense on the lease liability is included in the statements of loss and comprehensive loss. The carrying amount of the Company's lease liability is summarized in the table below.

	Lease obligations
Balance as at October 31, 2019	**$ 1,372,523**
Interest	210,317
Lease charge due to parent	(320,742)
Balance as at October 31, 2020	**1,262,098**
Interest	49,686
Lease charge due to parent	(80,184)
Balance as at January 31, 2021	**$ 1,231,600**
Current portion	135,061
Long-term portion	1,096,539

(expressed in United States dollars - unaudited)

7. LEASE LIABILITY (continued)

The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations, as at January 31, 2021:

	Within one year	Later than one year but not later than 5 years	More than 5 years
Lease obligations	$ 320,742	$ 1,282,968	$ 294,014

8. PROMISSORY NOTE

The following table details the promissory note as at January 31, 2021:

	Promissory note
Balance as at October 31, 2020 and 2019	**$ —**
Proceeds	315,340
Interest	3,216
Foreign exchange loss	2,563
Balance as at January 31, 2021	**$ 321,119**

On November 5, 2020, the Company ("Borrower") entered into a one-year secured Promissory Note ("Note") with 126 ("the Lender") for an original principal of $150,000 Canadian dollars and an additional principal of $250,000 Canadian dollars upon execution of a definitive agreement. The Note was signed in accordance with the terms of a signed Letter of Intent between Borrower and Lender. The Note bears interest at 8% annually. The principal amount unpaid and outstanding and all accrued and unpaid interest shall be due and payable to the Lender on the earlier of: (i) the date that is one year following the termination date; and (ii) the date the lender declares the principal amount to be immediately due and payable following an event of default. The Note is secured by all tangible assets of the Company. However, as the Note was provided for the purpose of accelerating a public offering of the Company, if the Closing Date occurs: (i) the Principal Amount and all accrued and unpaid interest of the Note shall be reduced to nil; (ii) this Note shall be cancelled; and (iii) Borrower shall thereafter have no liability hereunder, in each case effective as of the Closing Date.

On, December 8, 2020, the Company entered into a definitive agreement with 126 where by 126 agrees to acquire the Company in exchange for shares of 126. In connection with the signing of the definitive agreement, the Company received the additional $250,000 Canadian dollar bridge loan.

9. SHARE CAPITAL

The Company was incorporated on November 19, 2018, with an authorized share capital of $10,000, which is divided into 100 common shares with a par value of $100 each. There were nil transaction impacting share capital for the three months ended January 31, 2021, nor the year ended October 31, 2020.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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.

The fair value of the Company's accounts payable and accrued liabilities and due to parent company loan approximate their carrying values due to their short-term nature. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.

(expressed in United States dollars - unaudited)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company is exposed to various financial instrument related risks:

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company addresses its liquidity through parent company loans. While the Company has been successful in securing parent company loans in the past, there is no assurance that it will be able to do so in the future. All of the Company's liabilities, with the exception of the lease liability, are due within the next year.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. As at January 31, 2021 and 2020, the Company is not exposed to any significant interest rate risk. The parent company loans are interest free.

11. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the statements of loss and comprehensive loss. Below is a breakdown of what is included within general and administrative expenses:

	2021	2020
General and administrative		
Office and administrative	$ 33,152	$ 11,592
Legal and professional fees	53,221	—
Contractor fees	98,511	98,221
Foreign exchange loss	3,376	—
	$ 188,260	**$ 109,813**

12. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors. The Company is charged management services by its parent company, which represent an estimate of parent company resources used in relation to the activities of the Company. One of the parent company's subsidiaries, TheraCann Australia, was utilized to facilitate the transfer of funds in connection with the promissory note from 126 to Sprout.

The management service charges for the periods ended January 31, 2021 and 2020 included the following:

	2021	2020
Management services	$ 52,688	$ 38,250

As at January 31, 2021, the Company has outstanding loans to its parent company of $1,982,526 (October 31, 2020 – $2,018,003) for payments or advances made by the parent on the Company's behalf. Included in accounts payable and accrued liabilities was unpaid contractor fees to key management for $nil (October 31, 2020 – $11,827). Included in the outstanding loan to parent company as at January 31, 2020, are $604,501 (October 31, 2020 – $588,027) of lease charges due to the parent in connection with the Company's sublease.

13. SUBSEQUENT EVENT

On February 19, 2021, the Company entered into an amended and restated Promissory Note with 126 for an additional $300,000 Canadian dollars in accordance with the terms of a signed Letter of Intent and Definitive agreement between the Company and 126. Effective as of the date of receipt of such loan, the Principal Amount shall be increased dollar-for-dollar by the February 2021 amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for Sprout AI, S.A. ("Sprout" or the "Company"), for the three months ended January 31, 2021 and 2020.

This document should be read in conjunction with the information contained in the Company's unaudited condensed interim financial statements and related notes for the three months ended January 31, 2021 (the "Q1 Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("$") and "USD" amounts and references in this MD&A are in United States dollars.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, May 26, 2021, being the date the Company's board of directors (the "Board") approved this MD&A and the Q1 2020 Financial Statements. All quarterly information contained herein is unaudited.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved". Statements containing forward-looking information are made as of the date of MD&A and include, but are not limited to, statements with respect to: the Company's business objectives and research and development activities; the performance of the Company's business and operations; the intention to grow the business, operations and potential activities of the Company; the COVID-19 pandemic, the Company's and governmental authorities' current and planned responses thereto and the impact thereof on, without limitation, the Company in particular and the vertical farming industry in general; the anticipated growth of the industry; the competitive conditions of the industry in which the Company operates; the applicable laws, regulations and any amendments thereof; the competitive advantages and business strategies of the Company; the projected sales pipelines of the Company; the anticipated benefits of the Company's distribution relationship with TheraCann; the anticipated future gross revenues and profit margins of the Company's operations; the Company's ability to raise sufficient financing, if and when necessary, to continue its operations; and the Company's expectations regarding revenues, expenses and anticipated cash needs.

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: general economic, market and business conditions in Panama, Canada and other countries, including reduced availability of debt and equity financing generally; the Company's ability to raise equity and/or debt financing on acceptable terms; global or national health concerns, including the outbreak of pandemic or contagious diseases, such as COVID-19 and including the evolution of new variants of COVID-19, the duration and effect thereof and delays relating to vaccine development, procurement and distribution; risks relating to the effective management of the Company's growth; liabilities and risks, including environmental liabilities and risks associated with the Company's operations; the execution of strategic growth plans; the Company's ability to attract and retain customers; the competitive nature of the industries in which the Company operates; competition for, among other things, capital and skilled personnel and management; limitations on insurance; failure to obtain industry partner and other third party consents and approvals when required; failure to obtain granted patents for applied patents and failure to have patent assignments properly recorded; imprecision in estimating capital expenditures and operating expenses; fluctuations in pricing environments; stock market volatility; the impact of new laws and regulatory requirements and other laws and regulations and changes in how they are interpreted and enforced; the Company's ability to maintain required regulatory approvals; geopolitical, political and economic conditions; the results of litigation or regulatory proceedings that may be brought against the Company; changes in income tax laws; management's success in anticipating and managing the foregoing factors; and the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning: timely receipt of the necessary regulatory (including stock exchange) approvals and other required approvals; operating and capital costs, including the amount and nature thereof; availability of capital resources; the Company's ability to generate sufficient cash flow from operations and to access facilities and capital markets to meet its future obligations; the effect of the COVID-19 pandemic on the Company's business; the Company will have the ability to continue as a going concern going forward and realize its assets and discharge its liabilities in the normal course of business; trends and developments in the Company's industry; business strategy and outlook; customer demand; opportunities available to or pursued by the Company; expansion and growth of business and operations; the Company's ability to attract and retain qualified personnel or management; credit risks; stability of general economic and financial market conditions; and in relation to the Company's expectations regarding revenues from sales orders obtained to date, assumptions relating to manufacturing and manufacturing capacity, consumer demand for the Company's products and ability of customers to satisfy payment obligations under sales orders, pricing of products, cost of sales and general and administrative expenses (including sales and marketing expenses). In particular, the Company has assumed and expects that, among other things: (i) its products will meet the specifications of it and its customers; (ii) the pricing of its products will be in line with the disclosure herein; and (iii) it will have capacity to manufacture a sufficient number of habitats to satisfy sales orders after its initial scale-up.

Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable Canadian securities laws.

OVERVIEW AND SIGNIFICANT EVENTS

Overview

The Company is committed to both environmental and social sustainability. Its vision is to be a leader in urban vertical cultivation technology by ensuring each harvest is of high quality, producing high yield, and is consistent with the last batch to reduce product variability. To accomplish this vision its mission is to develop an innovative and adaptable solution to the regulatory demands relating to quality, traceability, and audit of crop production.

The Company was formed to plan, design, implement, and support unique vertical automated aeroponic grow habitats and technologies designed to operate within high-density urban settings with access to limited power and water.

The Panama-Pacifico Special Economic Area ("Panama Pacifico") was created by the Panamanian Government in 2004. Entities located within Panama Pacifico are allowed to develop all types of economic activities not expressly prohibited by Panamanian legislation, however only profits from specified activities, including manufacturing high technology products or producing goods with cutting-edge technologies, will benefit from full incentives of the regime, namely, "tax-free" status with respect to corporate tax, duty tax and sales tax. There is no legally-required minimum investment for a company to operate in the Panama Pacifico area. However, leasing of space is required within the Panama Pacifico area. Once admitted into Panama Pacifico, there is no expiry to this exemption provided that a company continues to reside within, and is able to maintain operations within, this special zone.

On October 7, 2019, Sprout Panama was accepted as a "high tech" company within Panama Pacifico and as such is provided a "tax-free" status for corporate tax, duty tax, and sales tax. Tax on shareholder dividends is fixed at 0.05%.

Production

Production of the Company is conducted at its Center of Excellence ("COE") which is located in Panama Pacifico, Panama.

The COE is comprised of both a two-level open office concept as well as a warehouse designed for large-scale manufacturer, quality assurance, packaging, and shipping of Sprout Panama directly to the Panama Canal. The total building occupies 37,500 sq. ft (3500 sq. m.). The main warehouse is sectioned into inventory receiving, component testing, assembly, final quality testing, packaging, and area for ongoing research and development and new version development. The offices are segmented into tissue culture lab, administrative and operational staff. In 2019 over 600 visitors from governments, regulatory authorities, producers, vendors, and potential clients visited the COE.

The Technology

Sprout AI's proprietary cultivation technology is provided within a 10" long x 5" wide x 6" tall sealed habitat. Sprout AI's habitat is designed to manage multiple crops including leafy green, micro-green, berries, fruit, and is in process of testing for fungi. The number of plants cultivated within each habitat depends largely on the size of the plant grown. On average, a minimum of 32 plants can be grown per habitat.

Each Sprout AI habitat is equipped to manage air temperature, humidity, and quality, water temperature, nutrient level, and quality, light duration and intensity, CO2 duration and intensity. Each habitat is then remotely controlled and managed via a secure web-based software interface module known as the Sprout AI module.

The Sprout AI module can be licensed as a standalone application or together as a fully integrated module to the One System One Solution (OS2) enterprise relational planning and compliance (ERPc) software known as simply as OS2. Sprout AI can be sold separately or as part of a five year Managed Services Agreement (MSA) through Sprout AI's partnership with TheraCann.

Sprout AI is designed to be completely module and as such can be sold as an individual habitat.

COVID-19

The recent outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting economic activity worldwide. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The pandemic outbreak and the related mitigation measures imposed by governments may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, quarantine, business disruptions, and the effectiveness of actions taken in Panama and other countries to contain and treat the disease. The effects that these events will have are highly uncertain and as such, the Company cannot determine the corresponding financial impact at this time.

In March of 2020, the Company was forced to shut down operations under order by the government of Panama and as a result, the COE, including the majority of all businesses in Panama, were forced to close their doors and require all staff and contractors to work from their home locations. During the period between March and October 2020, Panama then remained under some of the world's most restricted quarantine requirements. Consequently, the Company was forced to lay off its contractors until it would be able to reopen the COE.

Commencing in October 2020, the Company began the process of working both with property manager, its economic zone, its utility companies, and the Federal Health department to re-open the COE. The COE re-opened in December 2020 following formal inspection and approvals, and the Company is currently in the process of fully resuming operations.

Promissory note

On November 5, 2020, the Company ("Borrower") entered into a one-year secured Promissory Note ("Note") with 126 ("the Lender") for an original principal of $150,000 Canadian dollars and an additional principal of $250,000 Canadian dollars upon execution of a definitive agreement. The Note was signed in accordance with the terms of a signed Letter of Intent between Borrower and Lender. The Note bears interest at 8% annually. The principal amount unpaid and outstanding and all accrued and unpaid interest shall be due and payable to the Lender on the earlier of: (i) the date that is one year following the termination date; and (ii) the date the lender declares the principal amount to be immediately due and payable following an event of default. The Note is secured by all tangible assets of the Company. However, as the Note was provided for the purpose of accelerating a public offering of the Company, if the Closing Date occurs: (i) the Principal Amount and all accrued and unpaid interest of the Note shall be reduced to nil; (ii) this Note shall be cancelled; and (iii) Borrower shall thereafter have no liability hereunder, in each case effective as of the Closing Date.

On, December 8, 2020, the Company entered into a definitive agreement with 126 where by 126 agrees to acquire the Company in exchange for shares of 126. In connection with the signing of the definitive agreement, the Company received the additional $250,000 Canadian dollar bridge loan.

SUBSEQUENT EVENTS

Promissory note

On February 19, 2021, the Company entered into an amended and restated Promissory Note with 126 for an additional $300,000 Canadian dollars in accordance with the terms of a signed Letter of Intent and Definitive agreement between the Company and 126. Effective as of the date of receipt of such loan, the Principal Amount shall be increased dollar-for-dollar by the February 2021 amount.

OUTLOOK

Sprout AI Installation and Sales Pipeline

Sprout AI version 1.1 is currently installed and in operation at the COE at Panama Pacifico, Republic of Panama. Version 1.1 is comprised of one rack consisting of three rows of five habitats each. Currently, Sprout's habitats have successfully produced a number of varieties of leafy green and microgreen products at the COE. Sprout AI is actively seeking a project with one or more of the existing Panama grocery store chains to provide products and to measure key performance indicators of Sprout AI produce to existing traditional produce with aim of securing a long-term supply agreement. Sprout AI is currently using its facility in Panama to study how to further improve cultivation capabilities and growth cycles in the habits.

In the past six months Sprout AI has obtained three sales orders from TheraCann for Sprout AI habitats. The current sales orders are with three separate TheraCann clients are located in New Zealand, South Africa and Zimbabwe, strategically chosen for their lower level of COVID-19 related economic disruption. Each sales order is the first of a three year quarterly rolling order for Sprout AI units.

The habitats are being sold for US$15,000 each and require a 50% order commencement fee and the remaining 50% purchase payment on shipment from Panama. The orders are expected to commence in 2021 with an increase in quarterly deliveries through 2022 and completing by early 2024. There can be no assurances that the full potential of these sales orders can be realized until both the commencement fee and remaining purchase payment has been received for each sales order of each rolling order. In April 2021, Sprout AI issued an invoice for an initial 140 habitats and expects to receive a commencement fee of US$1,050,000 on or prior to May 21, 2021.

In the past three months Sprout AI has launched an updated web page, social media, and marketing materials to attract new potential buyers of Sprout AI. The full potential of this marketing campaign has not yet been realized but is expected to be well underway by Q3 2021. Over the next three years, Sprout AI expects to close current sales in New Zealand, South Africa and Zimbabwe and identify new buyers, with a focus on the North American market.

Relationships and Partnerships

Everleaf Capital is a Canadian based company that assists companies based in Canada, the United States and internationally seek and complete major transactions to further expand their business through, among other things, mergers and acquisitions and investment. On October 2, 2020, Sprout Panama entered into an advisory services agreement with Everleaf Capital whereby Everleaf Capital agreed to provide strategic advisory services to Sprout Panama.

Distribution Agreement with TheraCann

The Company has a sales team tasked with finding, building and supporting sales and customer relationships. In addition, the Company has a distribution agreement with TheraCann (the "Distribution Agreement") pursuant to which TheraCann was appointed as non-exclusive distributor for the purpose of marketing, selling, providing training and support for Sprout AI units being delivered to TheraCann client project locations. Pursuant to the agreement, TheraCann has agreed to offer, advertise, demonstrate and otherwise promote the sale of the Sprout AI units in the jurisdictions where TheraCann's clients operate throughout the term of the agreement. The agreement has an initial term of five years and contains mutual non-solicitation provisions. TheraCann has provided services to Federal Governments and/or interested corporate parties wishing to obtain a turn-key solution for indoor cultivation projects in 22 countries including countries in North, Central, and South America, Oceana, Africa, and Europe. Sprout AI has been featured as its primary indoor cultivation technology. The Distribution Agreement represents an additional pathway to sales, in addition to the Company's independent efforts, namely, the existing client network of TheraCann.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three months ended January 31, 2021 and 2020 and the year ended October 31, 2020 is set forth below.

	Three Months Ended January 31,		Year ended October 31,
	2021	2020	2020
Net loss and comprehensive loss	312,361	235,444	768,523
Total assets	1,470,965	1,735,815	1,522,475
Total liabilities	3,609,334	3,019,847	3,348,483
Basic and diluted loss and comprehensive loss per common share	$ 3,123.61	$ 2,354.44	$ 7,685.23

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended January 31, 2021 and 2020

	Three Months Ended January 31,			
	2021	2020	Variance	% Change
General and administrative	188,260	109,813	78,447	71.4%
Depreciation	71,199	71,407	(208)	(0.3%)
Interest expense	52,902	54,224	(1,322)	(2.4%)

General and administrative

General and administrative expenses increased from $109,813 for the three months ended January 31, 2020, to $188,260 for the three months ended January 31, 2021, an increase of 71.4%. The increase in general and administrative expense for the three months ended January 31, 2021, as compared to the prior year period was primarily the result of (i) increased legal and professional fees in connection with intellectual property and trademark protection, (ii) increased accounting and support costs in connection with the Company's audit and review in connection with the Company's go public transaction, and (iii) increased social security costs in connection with the reopening and rehiring of contractors.

Depreciation

During the three months ended January 31, 2021 and 2020, the Company incurred depreciation expense of $71,199 and $71,407 respectively. Depreciation expense relates to (i) the depreciation on the equipment and leasehold improvements and (ii) depreciation on the Right of Use asset.

Interest expense

During the three months ended January 31, 2021, the Company incurred interest expenses of $52,902 as compared to interest expense of $54,224 for the prior year period, resulting in a variance of $1,322 or (2.4%). During the three months ended January 31, 2021 and 2020, interest expense relates to interest accretion related to the Company's lease liability and interest expense on the promissory note from 126.

SUMMARY OF QUARTERLY RESULTS

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS.

	For the three months ended (unaudited)			
	April 30, 2019	July 31, 2019	October 31, 2019	January 31, 2020
Net loss and comprehensive loss	202,463	215,343	319,079	235,444
Total assets	1,807,812	1,833,917	1,807,221	1,735,815
Total liabilities	233,876	2,572,324	2,864,706	3,019,847
Basic and diluted loss and comprehensive loss per common share	$ 2,024.63	$ 2,153.43	$ 3,190.79	$ 2,354.43

	For the three months ended (unaudited)			
	April 30, 2020	July 31, 2020	October 31, 2020	January 31, 2021
Net loss and comprehensive loss	168,244	151,292	213,544	312,361
Total assets	1,664,961	1,593,554	1,522,475	1,470,965
Total liabilities	3,117,238	3,197,123	3,348,483	3,609,334
Basic and diluted loss and comprehensive loss per common share	$ 1,682.44	$ 1,512.92	$ 2,135.44	$ 3,123.61

For the eight most recent quarters presented, the Company did not have any revenues. Net loss and comprehensive loss are primarily comprised of contractor fees for the buildout and development of the Company's vertical automated aeroponic grow habitats. While the Company is not exposed to the effects of seasonality on its business, the Company has been negatively impacted by the COVID-19 pandemic.

In March of 2020, the Company was forced to shut down operations under order by the government of Panama and as a result, the COE, including the majority of all businesses in Panama, were forced to close their doors and require all staff and contractors to work from their home locations. During the period between March and October 2020, Panama then remained under some of the world's most restricted quarantine requirements. Consequently, the Company was forced to lay off its contractors until it would be able to reopen the COE. The Company

Commencing in October 2020, the Company began the process of working both with property manager, its economic zone, its utility companies, and the Federal Health department to re-open the COE. The COE re-opened in December 2020 following formal inspection and approvals, and the Company is currently in the process of fully resuming operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent upon the Company's ability to profitably sell, distribute and implement its vertically automated aeroponic grow habitats. As at January 31, 2021, the Company had negative working capital of $2,503,129 and has an accumulated deficit of $2,148,369 since its inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing, to commence profitable operations in the future and to repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Contractual obligations

The following is a summary of the Company's contractual obligations at January 31, 2021:

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Lease obligations	1,897,722	320,742	641,484	641,484	294,012
Total	**$ 1,897,722**	**$ 320,742**	**$ 641,484**	**$ 641,484**	**$ 294,012**

Financial instruments and risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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.

The fair value of the Company's accounts payable and accrued liabilities and due to parent company loan approximate their carrying values due to their short-term nature. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.

The Company is exposed to various financial instrument related risks:

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company addresses its liquidity through parent company loans. While the Company has been successful in securing parent company loans in the past, there is no assurance that it will be able to do so in the future. All of the Company's liabilities, with the exception of the lease liability, are due within the next year.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. As at January 31, 2021 and 2020, the Company is not exposed to any significant interest rate risk. The parent company loans are interest free.

CASH FLOWS BY ACTIVITY

Comparison of the Three Months Ended January 31, 2021 and 2020

The table below outlines a summary of cash inflows and outflows by activity for the three months ended January 31, 2021, and 2020.

	Three Months Ended January 31,	
	2021	**2020**
Net used in operating activities	$ (112,076)	$ —
Net cash provided by financing activities	$ 113,037	$ —

Cash used in Operating Activities

During the three months ended January 31, 2021, cash outflows from operating activities relate to the cash expenses paid directly from the Company's cash on hand for general operating costs, primarily consisting of contractor and legal and professional fees. For the three months ended January 31, 2020, there was nil cash provided by or used in operating activities. All operating expenses were paid directly by TheraCann and are included in the due to parent company balance on the balance sheet.

Cash provided by Financing Activities

During the three months ended January 31, 2021, 126 advanced the Company $113,037 to a Sprout designated bank account in accordance with the promissory note. For the three months ended January 31, 2020, there was nil cash provided by or used in financing activities.

SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the financial statements.

Impairment of non-financial assets

Assets are deemed to be impaired when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights.

Useful life of equipment and leasehold improvements

Management is depreciating the equipment and leasehold improvements using a straight-line basis, with a useful life of:

Equipment	5 years
Leasehold improvements	8 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

The Company has a sublease agreement with a related party, associated primarily with the rental of the Center of Excellence (COE) or office space in general.

Determination of incremental borrowing rate

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

Determination of the lease term

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors. The Company is charged management services by its parent company, which represent an estimate of parent company resources used in relation to the activities of the Company.

The management service charges for the three months ended January 31, 2021 and 2020 included the following:

	2021	2020
Management services	$ 52,688	$ 38,250

As at January 31, 2021, the Company has outstanding loans to its parent company of $1,982,526 (October 31, 2020 – $2,018,003) for payments or advances made by the parent on the Company's behalf. Included in accounts payable and accrued liabilities was unpaid contractor fees to key management for $nil (October 31, 2020 – $11,827). Included in the outstanding loan to parent company as at January 31, 2020, are $604,501 (October 31, 2020 – $588,027) of lease charges due to the parent in connection with the Company's sublease.

OFF BALANCE SHEET ARRANGEMENTS

As at January 31, 2021, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value and an unlimited number of common shares. The table below lists the securities outstanding:

	As at May 26, 2021
Common shares	100
Total Common Shares on a fully-diluted basis	**100**

APPENDIX "B" – PRO FORMA FINANCIAL STATEMENTS

See attached.

SPROUT AI, S.A.

Unaudited Pro Forma Consolidated Financial Statements
November 30, 2020
(expressed in Canadian Dollars)

SPROUT AI, S.A.
Pro forma Consolidated Statements of Financial Position
(expressed in Canadian dollars except as noted – unaudited)

		Sprout AI, S.A. As at October 31, 2020 (USD)		Sprout AI, S.A. As at October 31, 2020 (CAD)		1262803 B.C. Ltd. As at November 30, 2020 (CAD)	Note		Pro forma Adjustments As at November 30, 2020 (CAD)		Pro forma As at November 30, 2020 (CAD)
ASSETS											
Current assets											
Cash and cash equivalents	$	50	$	67	$	247,351	2 (b)	$	150,000	$	2,582,418
							2 (a)	$	100,000		
							2 (a)	$	2,000,000		
							2 (a)	$	85,000		
							2 (b)	$	250,000		
							2 (b)	$	(250,000)		
Loan receivable		—		—		150,000	2 (b)		(150,000)		—
Total current assets		**50**		**67**		**397,351**			**2,185,000**		**2,582,418**
Non-current assets											
Right-of-use asset		1,149,333		1,530,682		—			—		1,530,682
Equipment and leasehold improvements		373,092		496,884		—			—		496,884
Total non-current assets		**1,522,425**		**2,027,566**		**—**			**—**		**2,027,566**
Total assets	**$**	**1,522,475**	**$**	**2,027,633**	**$**	**397,351**		**$**	**2,185,000**	**$**	**4,609,984**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY											
Current liabilities											
Accounts payable and accrued liabilities	$	68,382	$	91,072	$	—		$	—	$	91,072
Current portion of lease liability		129,729		172,773		—			—		172,773
Due to Theracann		2,006,176		2,671,825		—			—		2,671,825
Total current liabilities		**2,204,287**		**2,935,670**		—			—		**2,935,670**
Long-term liabilities											
Lease liability		1,132,369		1,508,089		—			—		1,508,089
Total long-term liabilities		**1,132,369**		1,508,089		—			—		**1,508,089**
Total liabilities		**3,336,656**		**4,443,759**		—			—		**4,443,759**
Shareholders' deficiency											
Share capital		10,000		13,318		397,500	2 (a)		100,000		5,003,335
							2 (a)		2,000,000		
							2 (a)		85,000		
							2 (e)		2,805,017		
							2 (e)		(397,500)		
Contributed surplus		—		—		—	2 (c)		1,426,376		2,332,449
							2 (d)		906,073		
Deficit		(1,824,181)		(2,429,444)		(149)	2 (e)		149		(7,169,559)
							2 (e)		(4,740,115)		
Total shareholders' deficiency		**(1,814,181)**		**(2,416,126)**		**397,351**			2,185,000		**166,225**
Total liabilities and shareholders' deficiency	**$**	**1,522,475**	**$**	**2,027,633**	**$**	**397,351**		**$**	**2,185,000**	**$**	**4,609,984**

SPROUT AI, S.A.
Pro forma Consolidated Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars except as noted – unaudited)

	Sprout AI, S.A. Year ended October 31, 2020 (USD)	Sprout AI, S.A. Year ended October 31, 2020 (CAD)	1262803 B.C. Ltd. Year ended November 30, 2020 (CAD)	Note	Pro forma Adjustments (CAD)	Pro forma (CAD)
Expenses						
General and administrative	$ 261,582	$ 348,375	$ 149		$ —	$ 348,524
Depreciation	284,797	379,293	—		—	379,293
Interest expense	210,317	280,100	—		—	280,100
Listing expense	—	—	—	2 (e)	4,740,115	4,740,115
	756,696	**1,007,768**	**149**		**4,740,115**	**5,748,032**
Net loss and comprehensive loss	**$ (756,696)**	**$ (1,007,768)**	**$ (149)**		**$ (4,740,115)**	**$ (5,748,032)**

1. BASIS OF PREPARATION

The unaudited pro forma consolidated financial statements of Sprout AI, S.A. ("Sprout") have been prepared to reflect the reverse takeover of 1262803 B.C. Ltd. ("the Company") by Sprout as at November 30, 2020 (the "Transaction"). The unaudited pro forma consolidated financial statements have been compiled using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The functional currency of Sprout is the US dollar. Presentation currency of all the entities shown are Canadian dollars unless otherwise noted.

The unaudited pro-forma consolidated financial statements have been compiled from:

a) 1262803 B.C. Ltd. audited consolidated financial statements as at November 30, 2020 for which the Canadian dollar is the functional and reporting currency;

b) Sprout audited financial statements as at October 31, 2020 for which the US dollar is the functional and reporting currency; and

c) The additional information set out in Note 2.

The financial information of Sprout has been translated from USD to CAD using an exchange rate of 1.3318 Canadian dollars per US dollar. The unaudited pro forma consolidated financial statements should be read in conjunction with the above described financial statements and Notes thereto. The unaudited pro-forma consolidated financial statements have been prepared as if the Transaction occurred as of November 30, 2020.

These unaudited pro forma consolidated financial statements are not necessarily indicative of the Company's financial position on closing of the proposed acquisition. In preparing these unaudited pro forma consolidated financial statements, no adjustments have been made to reflect additional costs or savings that could result from the Transaction. Actual amounts recorded upon approval of the acquisition will likely differ from those recorded in the unaudited pro forma consolidated financial statements.

Pro-forma statements of operations and comprehensive loss have not been prepared due to the fact that the Company currently has no operations other than costs of pursuing the acquisition of a new business opportunity, and Sprout has not made a significant acquisition or disposition and does not propose to make a significant acquisition or disposition.

Completion of the Transaction is subject to a number of conditions, including but not limited to, Canadian Securities Exchange (the "Exchange") acceptance.

2. PRO-FORMA TRANSACTIONS, ADJUSTMENTS AND ASSUMPTIONS

Sprout was incorporated in the Republic of Panama on November 19, 2018. As at October 31, 2020, Sprout had 100 common shares issued and outstanding.

1262803 B.C. Ltd. was incorporated in British Columbia, Canada on August 25, 2020. As at November 30, 2020, the Company had 16,500,100 common shares issued and outstanding, as well as 9,500,000 common share purchase warrants exercisable at $0.02 per share until August 31, 2021.

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.
2. 10,000,000 performance-based share purchase warrants of the Company. 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.

(expressed in Canadian dollars except as noted - unaudited)

The closing date of the Definitive Agreement occurred on May 26, 2021. On the closing of the transaction, the Company intends to change its name to "Sprout AI Inc.".

The unaudited pro forma consolidated financial statements were prepared on the basis that the Transaction occurred on November 30, 2020 using the following adjustments and assumptions:

a) Funding

On December 8, 2020, the Company completed a non-brokered private placement financing of 2,000,000 common shares at a price of $0.05 per share for gross proceeds of $100,000.

On February 2, 2021, in connection with the Definitive Agreement, the Company completed a non-brokered private placement of 11,764,706 special warrants at a price of $0.17 per special warrant for gross proceeds of $2,000,000, each of which automatically converts into one common share of the Company for no additional consideration. The special warrants will be deemed to be exercised and will automatically convert on the date that is the earlier of (a) the date that is the 240th day following closing date of the offering, and (b) the first business day following the date on which a receipt for a final prospectus of the Company has been issued.

Prior to the closing of the Transaction, the Company is expected to complete a private placement of 500,000 common shares at a price of $0.17 per share for gross proceeds of $85,000.

b) Bridge financing

The Company will also provide Sprout with a refundable bridge financing of $400,000, of which $150,000 was advanced on the execution of the LOI (Note 4) and $250,000 was advanced upon the execution of the Definitive Agreement. The bridge financing is secured, non-interest bearing and is repayable if the Definitive Agreement is terminated.

c) Original warrants

As at November 30, 2020, the Company had 9,500,000 outstanding share purchase warrants (the "Original Warrants"), exercisable at a price of $0.02 until August 31, 2021. The Original Warrants have been accounted for in accordance with *IFRS 2 Share-based payments*. The fair value of the Original Warrants was determined to be $1,426,376, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.29%
Expected life	0.75 years
Annualized volatility	100%
Share price	$0.17

d) Performance-based warrants

Upon completion of the Transaction, the Company will issue 10,000,000 performance-based share purchase warrants (the "PB Warrants") exercisable at $0.17 for three years. The PB Warrants vest in three tranches 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.

The PB Warrants have been valued at $906,073 on November 30, 2020 using the Black-Scholes option pricing model. The fair value of the contingent consideration was discounted to its present value assuming Sprout meets its current revenue targets. The following assumptions were used to value the PB warrants:

Risk-free interest rate	0.29%
Expected life	3 years
Annualized volatility	100%
Share price	$0.17
Discount rate	16%

(expressed in Canadian dollars except as noted - unaudited)

e) Listing expense

Cost of acquisition		**Amount**
Shares of the resulting issuer issued to the shareholders of 1262803 B.C. Ltd.	(i)	2,805,017
Original Warrants of the resulting issuer issued to the shareholders of 1262803 B.C Ltd.	Note 2 (c)	1,426,376
PB Warrants issued to the shareholder of Sprout	Note 2 (d)	906,073
		5,137,466
Cost allocation		
Net assets of 1262803 B.C. Ltd.	(ii)	397,351
Listing expense	(iii)	4,740,115
		$ 5,137,466

(i) Determined based on 16,500,100 shares of 1262803 B.C. Ltd. outstanding immediately preceding the Transaction, valued at $0.17 per share based on the non-brokered private placement of special warrants.

(ii) Based on the audited statement of financial position of 1262803 B.C. Ltd. as at November 30, 2020.

(iii) 1262803 B.C. Ltd. did not meet the definition of a business in accordance with IFRS 3. Accordingly, the excess of the consideration paid was not capitalized, but instead recorded as an expense of listing Sprout on the Exchange.

3. PRO FORMA SHARE CAPITAL

After giving effect to the pro forma assumptions in Note 2, the pro forma share capital of Sprout has been determined as follows:

	Share capital	
	Common shares Number	**Common shares Amount**
Sprout common shares issued and outstanding at October 31, 2020	100	$ 13,318
Shares issued to Sprout's shareholder in connection with the Transaction	49,999,900	—
1262803 B.C. Ltd. common shares issued and outstanding at November 30, 2020	16,500,100	2,805,017
Shares issued on conversion of special warrants	11,764,706	2,000,000
Shares issued on closing of private placements	2,500,000	185,000
Total	**80,764,806**	**5,003,335**

4. INCOME TAX

The effective consolidated Canadian pro forma tax rate is expected to be approximately 26.5%.

SPROUT AI, S.A.

Unaudited Pro Forma Consolidated Financial Statements
February 28, 2021
(expressed in Canadian Dollars)

SPROUT AI, S.A.
Pro forma Consolidated Statements of Financial Position
(expressed in Canadian dollars except as noted – unaudited)

	Sprout AI, S.A. As at January 31, 2021 (USD)	Sprout AI, S.A. As at January 31, 2021 (CAD)	1262803 B.C. Ltd. As at February 28, 2021 (CAD)	Note	Pro forma Adjustments As at February 28, 2021 (CAD)	Pro forma As at February 28, 2021 (CAD)
ASSETS						
Current assets						
Cash and cash equivalents	$ 1,011	$ 1,292	$ 1,924,604	2 (a)	$ 85,000	$ 2,136,210
				2 (b)	164,296	
				2 (b)	(164,296)	
				2 (b)	125,314	
Prepaid expenses	8,655	11,061	—			11,061
Loan receivable	—	—	535,704	2 (b)	(535,704)	—
Total current assets	**9,666**	**12,353**	**2,460,308**		**(325,390)**	**2,147,271**
Non-current assets						
Right-of-use asset	1,103,361	1,410,095	—		—	1,410,095
Equipment and leasehold improvements	357,938	457,445	—		—	457,445
Total non-current assets	**1,461,299**	**1,867,540**	**—**		**—**	**1,867,540**
Total assets	**$ 1,470,965**	**$ 1,879,893**	**$ 2,460,308**		**$ (325,390)**	**$ 4,014,811**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY						
Current liabilities						
Accounts payable and accrued liabilities	$ 74,089	$ 94,686	$ 57,864		$ —	$ 152,550
Current portion of lease liability	135,061	172,608	—		—	172,608
Promissory note	321,119	410,390	—	2 (b)	(535,704)	—
				2 (b)	125,314	
Due to Theracann	1,982,526	2,533,668	—			2,533,668
Total current liabilities	**2,512,795**	**3,211,352**	**57,864**		**(410,390)**	**2,858,826**
Long-term liabilities						
Lease liability	1,096,539	1,401,377	—		—	1,401,377
Total long-term liabilities	**1,096,539**	**1,401,377**	**—**		**—**	**1,401,377**
Total liabilities	**3,609,334**	**4,612,729**	**57,864**		**(410,390)**	**4,260,203**
Shareholders' deficiency						
Share capital	10,000	12,780	497,500	2 (a)	85,000	5,242,797
				2 (a)	2,000,000	
				2 (e)	3,145,017	
				2 (e)	(497,500)	
Warrant reserve	—	—	2,000,000	2 (a)	(2,000,000)	—
Contributed surplus	—	—	—	2 (c)	1,426,376	2,332,449
				2 (d)	906,073	
Deficit	(2,148,369)	(2,745,616)	(95,056)	2 (e)	95,056	(7,820,638)
				2 (e)	(5,075,022)	
Total shareholders' deficiency	**(2,138,369)**	**(2,732,836)**	**2,402,444**		85,000	**(245,392)**
Total liabilities and shareholders' deficiency	**$ 1,470,965**	**$ 1,879,893**	**$ 2,460,308**		**$ (325,390)**	**$ 4,014,811**

SPROUT AI, S.A.
Pro forma Consolidated Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars except as noted – unaudited)

	Sprout AI, S.A. Three months ended January 31, 2021 (USD)	Sprout AI, S.A. Three months ended January 31, 2021 (CAD)	1262803 B.C. Ltd. Three months ended February 28, 2021 (CAD)	Note	Pro forma Adjustments (CAD)	Pro forma (CAD)
Expenses						
General and administrative	$ 188,260	$ 240,596	$ 94,907		$ —	$ 335,503
Depreciation	71,199	90,992	—		—	90,992
Interest expense	52,902	67,609	—		—	67,609
Listing expense	—	—	—	2 (e)	5,075,022	5,075,022
	312,361	**399,197**	**94,907**		**5,075,022**	**5,569,126**
Net loss and comprehensive loss	**$ (312,361)**	**$ (399,197)**	**$ (94,907)**		**$ (5,075,022)**	**$ (5,569,126)**

1. BASIS OF PREPARATION

The unaudited pro forma consolidated financial statements of Sprout AI, S.A. ("Sprout") have been prepared to reflect the reverse takeover of 1262803 B.C. Ltd. ("the Company") by Sprout as at February 28, 2021 (the "Transaction"). The unaudited pro forma consolidated financial statements have been compiled using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The functional currency of Sprout is the US dollar. Presentation currency of all the entities shown are Canadian dollars unless otherwise noted.

The unaudited pro-forma consolidated financial statements have been compiled from:

a) 1262803 B.C. Ltd. unaudited interim condensed financial statements as at February 28, 2021 for which the Canadian dollar is the functional and reporting currency;

b) Sprout unaudited interim condensed financial statements as at January 31, 2021 for which the US dollar is the functional and reporting currency; and

c) The additional information set out in Note 2.

The financial information of Sprout has been translated from USD to CAD using an exchange rate of 1.278 Canadian dollars per US dollar. The unaudited pro forma consolidated financial statements should be read in conjunction with the above described financial statements and Notes thereto. The unaudited pro-forma consolidated financial statements have been prepared as if the Transaction occurred as of February 28, 2021.

These unaudited pro forma consolidated financial statements are not necessarily indicative of the Company's financial position on closing of the proposed acquisition. In preparing these unaudited pro forma consolidated financial statements, no adjustments have been made to reflect additional costs or savings that could result from the Transaction. Actual amounts recorded upon approval of the acquisition will likely differ from those recorded in the unaudited pro forma consolidated financial statements.

Completion of the Transaction is subject to a number of conditions, including but not limited to, Canadian Securities Exchange (the "Exchange") acceptance.

2. PRO-FORMA TRANSACTIONS, ADJUSTMENTS AND ASSUMPTIONS

Sprout was incorporated in the Republic of Panama on November 19, 2018. As at January 31, 2021, Sprout had 100 common shares issued and outstanding.

1262803 B.C. Ltd. was incorporated in British Columbia, Canada on August 25, 2020. As at February 28, 2021, the Company had 18,500,100 common shares issued and outstanding, as well as 9,500,000 common share purchase warrants exercisable at $0.02 per share until August 31, 2021 and 11,764,706 Special Warrants to acquire one common share in the capital of the Company for no consideration. Each Special Warrant automatically converts 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 240th day following the issuance of the Special Warrants.

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.
2. 10,000,000 performance-based share purchase warrants of the Company. 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.

(expressed in Canadian dollars except as noted - unaudited)

The closing date of the Definitive Agreement is May 26, 2021. On the closing of the transaction, the Company changed its name to "Sprout AI Inc.".

The unaudited pro forma consolidated financial statements were prepared on the basis that the Transaction occurred on February 28, 2021 using the following adjustments and assumptions:

a) Funding

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 240th day following the issuance of the Special Warrants.

Prior to the closing of the Transaction, the Company is expected to complete a private placement of 500,000 common shares at a price of $0.17 per share for gross proceeds of $85,000.

b) Bridge financing

On February 19, 2021, the Company entered into an amended and restated Promissory Note with 126 for an additional $300,000 Canadian dollars in accordance with the terms of a signed Letter of Intent and Definitive agreement between the Company and 126. As of February 28, 2021, $135,704 of the additional $300,000 had been advanced. Effective as of the date of receipt of such loan, the Principal Amount shall be increased dollar-for-dollar by the February 2021 amount.

c) Original warrants

As at November 30, 2020, the Company had 9,500,000 outstanding share purchase warrants (the "Original Warrants"), exercisable at a price of $0.02 until August 31, 2021. The Original Warrants have been accounted for in accordance with *IFRS 2 Share-based payments*. The fair value of the Original Warrants was determined to be $1,426,376, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.29%
Expected life	0.75 years
Annualized volatility	100%
Share price	$0.17

d) Performance-based warrants

Upon completion of the Transaction, the Company will issue 10,000,000 performance-based share purchase warrants (the "PB Warrants") exercisable at $0.17 for three years. The PB Warrants vest in three tranches 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.

The PB Warrants have been valued at $906,073 on February 28, 2021 using the Black-Scholes option pricing model. The fair value of the contingent consideration was discounted to its present value assuming Sprout meets its current revenue targets. The following assumptions were used to value the PB warrants:

Risk-free interest rate	0.29%
Expected life	3 years
Annualized volatility	100%
Share price	$0.17
Discount rate	16%

(expressed in Canadian dollars except as noted - unaudited)

e) Listing expense

Cost of acquisition		**Amount**
Shares of the resulting issuer issued to the shareholders of 1262803 B.C. Ltd.	(i)	3,145,017
Original Warrants of the resulting issuer issued to the shareholders of 1262803 B.C Ltd.	Note 2 (c)	1,426,376
PB Warrants issued to the shareholder of Sprout	Note 2 (d)	906,073
Special Warrants issued and outstanding		2,000,000
		7,477,466
Cost allocation		
Net assets of 1262803 B.C. Ltd.	(ii)	2,402,444
Listing expense	(iii)	5,075,022
		$ 7,477,466

(i) Determined based on 18,500,100 shares of 1262803 B.C. Ltd. outstanding immediately preceding the Transaction, valued at $0.17 per share based on the non-brokered private placement of special warrants.
(ii) Based on the audited statement of financial position of 1262803 B.C. Ltd. as at February 28, 2021.
(iii) 1262803 B.C. Ltd. did not meet the definition of a business in accordance with IFRS 3. Accordingly, the excess of the consideration paid was not capitalized, but instead recorded as an expense of listing Sprout on the Exchange.

3. PRO FORMA SHARE CAPITAL

After giving effect to the pro forma assumptions in Note 2, the pro forma share capital of Sprout has been determined as follows:

	Share capital		
	Common shares Number		**Common shares Amount**
Sprout common shares issued and outstanding at January 31, 2021	100	$	12,780
Shares issued to Sprout's shareholder in connection with the Transaction	49,999,900		—
1262803 B.C. Ltd. common shares issued and outstanding at February 28, 2021	18,500,100		3,145,017
Shares issued on conversion of special warrants	11,764,706		2,000,000
Shares issued on closing of private placements	500,000		85,000
Total	**80,764,806**		**5,242,797**

4. INCOME TAX

The effective consolidated Canadian pro forma tax rate is expected to be approximately 26.5%.

APPENDIX "C" – AUDIT COMMITTEE CHARTER

See attached.

Sprout AI Inc.
(the “**Corporation**”)

AUDIT COMMITTEE CHARTER

1. MANDATE

The audit committee will assist the board of directors of the Corporation (the “**Board**”) in fulfilling its financial oversight responsibilities. The committee will review and consider, in consultation with the Corporation’s external auditors, the financial reporting process, the system of internal control over financial reporting and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well as the Corporation’s business, operations and risks.

2. COMPOSITION

The Board will appoint, from among their membership, an audit committee after each annual meeting of the shareholders of the Corporation. The audit committee will consist of a minimum of three directors.

2.1 Independence

Subject to Sections 3.2, 3.3, 3.4, 3.5 and 3.6 of National Instrument 52-110 (Audit Committees)) (“**NI 52-110**”), a majority of the members of the audit committee must be “independent” (as defined in Section 1.4 of NI 52-110.

2.2 Expertise of Committee Members

Subject to Sections 3.5 and 3.8 of NI 52-110, a majority of the members of the audit committee must be “financially literate” (as defined in Section 1.6 of NI 52-110) or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise.

3. MEETINGS

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Corporation’s Chief Financial Officer and external auditors in separate executive sessions.

4. ROLES AND RESPONSIBILITIES

The audit committee shall fulfill the following roles and discharge the following responsibilities:

4.1 External Audit

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, or performing other audit, review or attestation services, including the resolution of disagreements between management and the external auditors regarding financial reporting. In carrying out this duty, the audit committee shall:

(a) recommend to the Board that the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation;

(b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;

(c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;

(d) review and recommend to the Board the compensation to be paid to the external auditors;

(e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards; and

(f) review and approve the Corporation's hiring policies regarding partners and employees, and former partners and employees, of the present and former external auditor of the Corporation.

4.2 Internal Control

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Corporation. In carrying out this duty, the audit committee shall:

(a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Corporation; and

(b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

4.3 Financial Reporting

The audit committee shall review the financial statements and financial information of the Corporation prior to their release to the public. In carrying out this duty, the audit committee shall:

General

(a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions;

(b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate;

Annual Financial Statements

(c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;

(d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered;

(e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public;

Interim Financial Statements

(f) review and approve the interim financial statements prior to their release to the public;

(g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public; and

Release of Financial Information

(h) where reasonably possible, review and approve all public disclosure containing financial information, including news releases, prior to release to the public. An audit committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and must periodically assess the adequacy of those procedures.

4.4 Non-Audit Services

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Corporation or any subsidiary of the Corporation shall be subject to the prior approval of the audit committee.

Delegation of Authority

(a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

De-Minimis Non-Audit Services

(b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:

(i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or

(ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

(c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:

(i) the pre-approval policies and procedures are detailed as to the particular service;

(ii) the audit committee is informed of each non-audit service; and

(iii) the procedures do not include delegation of the audit committee's responsibilities to management.

4.5 Other Responsibilities

The audit committee shall:

(a) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;

(b) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(c) ensure that significant findings and recommendations made by management and the external auditor are received and discussed on a timely basis;

(d) review the policies and procedures in effect for considering officers' expenses and perquisites;

(e) perform other oversight functions as requested by the Board; and

(f) review and update this Charter and receive approval of changes to this Charter from the Board.

4.6 Reporting Responsibilities

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

5. RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the audit committee; and

(c) communicate directly with the internal and external auditors.

6. GUIDANCE – ROLES & RESPONSIBILITIES

The audit committee should consider undertaking the actions described in the following guidance, which is intended to provide the audit committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

6.1 Internal Control

(a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities,

(b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown, and

(c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management;

6.2 *Financial Reporting*

General

(a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements,

(b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks,

(c) understand industry best practices and the Corporation's adoption of them;

Annual Financial Statements

(d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Corporation reports or trades its shares;

(e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;

(f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;

(g) consider management's handling of proposed audit adjustments identified by the external auditors;

(h) ensure that the external auditors communicate all required matters to the committee;

Interim Financial Statements

(i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;

(j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements;

(k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:

  (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;

(ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the Corporation's operations and financing practices;

(iii) generally accepted accounting principles have been consistently applied;

(iv) there are any actual or proposed changes in accounting or financial reporting practices;

(v) there are any significant or unusual events or transactions;

(vi) the Corporation's financial and operating controls are functioning effectively;

(vii) the Corporation has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and

(viii) the interim financial statements contain adequate and appropriate disclosures;

6.3 Compliance with Laws and Regulations

(a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";

(b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements;

(c) review the findings of any examinations by securities regulatory authorities and stock exchanges; and

6.4 Other Responsibilities

(a) review, with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements.

CERTIFICATE OF THE COMPANY

DATED May 31, 2021

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, and Ontario.

(Signed) "*Christopher John Bolton*"	(Signed) "*Joshua Lebovic*"
Christopher John Bolton Chief Executive Officer and President	Joshua Lebovic Chief Financial Officer

On behalf of the Board of Directors

(Signed) "*Kurtis Kisio*"	(Signed) "*Kyle Horak*"
Kurtis Kisio Director	Kyle Horak Director

CERTIFICATE OF THE PROMOTERS

DATED May 31, 2021

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, and Ontario.

(Signed) "*Christopher John Bolton*"
Christopher John Bolton
Promoter

SCHEDULE "B"

Form 2A, Section 14 – Capitalization Tables

Please see attached.

14. Capitalization

14.1 Prepare and file the following chart for each class of securities to be listed:

Issued Capital

	Number of Securities (non-diluted)	**Number of Securities (fully-diluted)**	**%of Issued (non-diluted)**	**% of Issued (fully diluted)**
Public Float				
Total outstanding (A)	90,264,806	100,264,806	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	72,823,528	82,823,528	80.7%	82.6%
Total Public Float (A-B)	17,441,278	17,441,278	19.3%	17.4%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	47,500,000	57,500,000	62%	60%
Total Tradeable Float (A-C)	42,764,806	42,764,806	47.4%	42.7%

Public Securityholders (Registered)

Instruction: For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	153	153,000
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	20	17,288,278
Unable to confirm	Nil	Nil

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	153	153,000
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	20	17,288,278
Unable to confirm	Nil	Nil

Non-Public Securityholders (Registered)

Instruction: For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	Nil	Nil
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	4	72,823,528

14.2 Provide the following details for any securities convertible or exchangeable into any class of listed securities

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Warrants, each warrant exercisable for one Common Share at an exercise price of $0.17	10,000,000	10,000,000

14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2.

Not applicable.