Sprout AI Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED JANUARY 31, 2023

(Expressed in United States Dollars)

INTRODUCTION

This management's discussion and analysis ("MD&A") of the financial position and results of operations for Sprout AI Inc. (the "Company") is prepared by management as at May 29, 2023. The information herein should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 2023 and the related notes contained therein, which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 29, 2023.

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue of the Company. 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 United State dollars, the reporting currency of the Company, unless specifically noted.

CAUTION REGARDING 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 the 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 BACKGROUND

Sprout AI Inc. (the "Company" or "Sprout AI") was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. On June 1, 2021, the Company changed its name from 1262803 B.C. LTD. to Sprout AI Inc. upon closing of its acquisition of Sprout AI S.A. ("Sprout SA"). Sprout AI is a vertical farming technology company in the business of planning, designing, manufacturing and/or assembling sustainable and scalable AI-controlled vertical cultivation equipment for indoor vertical farming. The Company's habitats utilize vertical automated fogponic technology and are designed to operate within high density urban settings with access to limited power and water. The Company trades on the Canadian Stock Exchange under the symbol BYFM.

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

The impact of COVID-19 on the business operations at Sprout AI since the beginning of 2020 have been severe. Limited operations during and past COVID have had a negative effect on the financial position of the Company. Since early 2022, with the relief of certain restrictions in Panama, the Company is attempting to carry on operations at pre-COVID levels.

On December 7, 2020, the Company signed a Securities Exchange Agreement (the "Definitive Agreement") with Sprout SA and the shareholder of Sprout SA, to acquire all of the outstanding securities of Sprout SA in consideration for i) 50,000,000 common shares of the Company (issued on June 1, 2021) and ii) 10,000,000 performance-based share purchase warrants of the Company (granted on June 1, 2021). Each warrant will entitle the holder to purchase an additional common share of the Company at an exercise price of $0.17 CAD for a period of three years.Chris: have we decided to remove this in its entirety? If so we can say so here. 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 above transaction constitutes a reverse takeover ("RTO") of the Company with Sprout SA being the acquirer for accounting purposes.

COMPANY'S OPERATIONS AND OUTLOOK

Sprout SA's operations are located in Panama, Central America where it's manufacturing facilities are located in the Veracruz tax free zone. Production is conducted at the Company's Centre of Excellence ("COE"). 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 AI habitats directly to the Panama Canal. The total building occupies 37,500 sq. ft.

Sprout AI is committed to both environmental and social sustainability. Its vision is to be a leader in urban vertical cultivation 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.

Sprout AI's business model is to plan, design, implement, and support vertical automated fogponic grow habitats designed to operate within high-density urban settings with access to limited power and water.

At the time of the acquisition, the Company provided Sprout SA with bridge financing to fund operations. On the closing of the transaction on June 1, 2021, the Company changed its name to Sprout AI Inc. and the bridge funding was consolidated.

Over the past two years, the Company has completed a number of key initiatives and transactions that have affected the operations of the Company. The key events are as follows:

- On May 29, 2023 the Company signed an Definitive Agreement with TheraCann International Benchmark Corp. ("TheraCann") that defines the terms and conditions for the two entities to be combined via a Reverse Takeover of Sprout AI. A common share ratio split for the two entities has been agreed to at a value of 70:30 (TheraCann:Sprout).

- On December 28, 2022, the Cease Trade Order was lifted on trading of the Common Shares on the Canadian Stock Exchange and the shares commenced trading.

- In December 2022, the Company completed the construction for 75 Sprout AI habitat controllers to TheraCann for their client in Zimbabwe. Presently, TheraCann's client has suspended the commitment for additional units due to financial difficulties. Some components, but not all, were shipped to Zimbabwe by December 2022 for arrival in Q1 2023.

- On August 29, 2022, the Company signed a Letter of Intent with Fontagro, Fontagro is a development agency financed by Latin and South America countries. They promote science, development and innovation in agriculture and food within Latin America and the Caribbean. Fontagro will assist the Company in securing matching R&D funding, as well as assist the Company to expand into some of the 33 countries in which it operates. In turn the Company will match Fontagro funding, and permit Fontagro to access Company facilities to conduct research and development of plants cultivated within urban indoor vertical cultivation environments.

- On August 8, 2022, the Company received a purchase order from its distributor TheraCann for 30 habitats, for an end Client located within the Metropolitan Vancouver Area of British Columbia, Canada. The facility was to be planned, designed and managed by TheraCann International as a Discovery Center measuring a total of 75,000 ft and capable of housing multiple crops totaling up to 60,000 plants. As noted in previous filings, this was a forward looking statement and noted that the success of this agreement was dependent directly on the success of funding received by the end Client paid to TheraCann International. As of the date of this filing, the Client has not received or otherwise provided funding for this project.

- On June 27, 2022, the Company signed a 5 year agreement with Instituto de Innovación Agropecuaria de Panamá (IDIAP). Under the terms of this agreement the Company has provided IDIAP with access to its habitats at its manufacturing facility in Panama, to assist the Company with ongoing new crop development and confirmation of the Company's plant cycle time and yield data. The Company will provide IDIAP with access to the Company's habitats and database of information, and IDIAP will provide its scientists, and access to research funding.

- On June 15, 2022 the Company signed a 3 year agreement with Centro Activo 20/30 Los Combras ("Centro"). Centro is a not-for-profit organization that provides charity programs to communities including their famed "rice and beans" program. Through its agreement with the Company, this program has been extended to include the Company's products cultivated within its Panama facility. Consequently, this program has been renamed "rice, beans and greens" to commemorate the Company's contribution of all "green's" to this country wide program. Under this agreement Centro will provide charitable donation receipts to parties that sponsor the Company's habitats for the purpose of cultivating the greens for this program. Each habitat that is sponsored receives placement of the sponsors logo for a period of one year, and the pricing per habitat varies depending on its position of each habitat within the Company's facility in Panama. Under the program, a total of 75 habitats will be available for sponsorship. However, upon a new Centrol President being elected in January 2023, this program has yet to be re-approved for commencement.

- On April 5, 2022, the Canadian Stock Exchange issued a cease trading order on the shares of the Company.

- On March 7, 2022, the Company entered into a secured commercial loan agreement with S. Halter for $520,000. The loan has a three year term. This loan was amended to change the commencement date for re-payment of the loan to August 2023.

- On October 8, 2021, the Company issued 700,000 common shares for gross proceeds of $455,000 CAD ($364,525 USD).

- On September 21, 2021, the Company announced a potential project with JT Medical LLC. This project has been delayed as it awaits pending approval from the DEA in the United States. There is no certainty that approval will be received from the DEA, which may delay or cancel such project.

- On June 22, 2021, the Company issued 500,000 common shares for warrants exercised for gross proceeds of $25,000 CAD ($20,233 USD).

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

- On June 1, 2021, Sprout SA completed an RTO with the Company and 50,000,000 Company's common shares with a fair value of $3,953,502 and 10,000,000 of warrants with an estimated value of $752,552.

- On May 31, 2021, the Company issued 9,500,000 common shares upon exercise of warrants for gross proceeds of $190,000 CAD ($157,207 USD).

- 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 CAD per Special Warrant for gross proceeds of $2,000,000 CAD ($1,560,306 USD). 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.

Financial statement readers should note that the above statements may contain forward looking information and/or assumptions and actual results may vary from the forward-looking information presented. In order to deliver on the contracts mentioned, the Company will face several risk factors such as obtaining supplies and financing to complete the order and standard manufacturing completion risks all of which may cause actual results to differ materially from the forward-looking information. This is also the case with any press releases issued by the Corporation on operations.

Expressed in US Dollars

FINANCIAL PERFORMANCE

SELECTED FINANCIAL INFORMATION

	Three months ended January 31, **2023**	2022	**Year ended January 31 2023**	Fifteen months ended January 31, 2022
Total Revenue	**775,684**	112,635	**884,016**	112,635
Net income (loss) for the period	**305,333**	(459,611)	**(1,328,644)**	(6,462,272)
Net loss per share-basic	**0.00**	(0.01)	**(0.01)**	(0.09)
Capital expenditures net of dispositions	**(151,282)**	(210,676)	**(250,860)**	(680,738)

	January 31, 2023	January 31, 2022
Total assets	**2,109,957**	2,656,934
Total liabilities	**4,974,939**	4,193,272
Working capital	**(3,394,245)**	(2,365,243)

RESULTS OF OPERATIONS

The following paragraphs provide information about the results of the Company's on-going operations for the three months and year ended January 31 2023.

Revenue

For the three months ended January 31 2023, the Company generated revenue of $775,684 as compared to $112,635 revenues for same periods of 2022.

For the year ended January 31 2023, the Company generated revenue of $884,016 as compared to $112,635 revenues for the fifteen months ended January 31, 2022.

Revenue is primarily generated from the sale of products in habitat manufacturing and management and consulting services from related parties.

Net Loss for the period-end

For the three months ended January 31 2023, the Company recorded a net income of $305,333 as compared to a loss of $459,611 in the same period of 2022, primarily as a result of increased revenues reported in the fourth quarter of the year in 2023.

For the year ended January 31, 2023 the Company recorded a net loss of $1,328,644 as compared to a net loss of $6,462,272 for fifteen months ended January 31, 2022. The losses were primarily as a result of payroll expenses, professional fees and general and office administration costs that ramped up post covid slowdown. Under covid restrictions in Panama, the Company was unable to operate until the beginning of this fiscal year.

Costs since this time include personnel, construction supplies and research and development activities. The Company intends to continue to ramp up activities to provide habitats for the various projects contracted for. For the fifteen months ended January 31, 2022, the Company had higher losses which were mainly generated by the stock exchange listing costs and RTO at mid-year of $4,263,243.

Expressed in US Dollars

Depreciation expense

Depreciation expense on capital assets for the three months ended January 31 2023, was $85,001 as compared to $124,914 in the same period of last year.

For the year ended January 31, 2023 depreciation expense was $335,353 down from the $400,747 for the fifteen month period ended January 31, 2022. The Company's depreciation relates to the equipment owned at the manufacturing facility in Panama as well as the depreciation of the Company's right of use assets.

Capital expenditures

The following table shows the Company's capital additions for the period ended January 31, 2023:

	Capital expenditures
Equipment	5,349
Total property and equipment additions	**5,349**
Brand names	20,317
Product development	286,176
Patent	270
Total intangible assets additions	**306,763**

SUMMARY OF QUARTERLY RESULTS

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

Quarter Ended	Total Assets	Working Capital	Shareholders' Equity (Deficiency)	Revenue	Net (Loss) Gain	Loss per Share
January 31, 2023	**2,109,957**	**(3,394,245)**	**(2,864,982)**	**775,684**	**305,333**	**0.01**
October 31, 2023	2,554,370	(3,633,958)	(3,170,315)	6,152	(550,362)	0.02
July 31, 2022	2,748,549	(3,057,344)	(2,619,953)	102,180	(455,566)	0.01
April 30, 2022	3,069,804	(2,594,937)	(2,164,387)	-	(628,049)	0.01
January 31, 2022	2,656,934	(2,365,243)	(1,536,338)	112,635	(459,611)	0.01
October 31, 2021	3,345,178	(1,747,331)	1,161,210	-	(707,423)	0.01
July 31, 2021	3,915,653	(790,825)	613,658	-	(4,833,933)	0.07
April 30, 2021	1,713,062	(2,517,686)	2,309,578	-	(182,119)	0.01

During the quarters presented above and subsequent to the initial round of funding by the Corporation, Sprout was building its manufacturing facilities, developing its technology and constructing habitats for its own use as floor models and for its initial contract in Zimbabwe. As a result, the Company had minimal revenue during these periods and losses created from the growth activities and listing expenses for the RTO and CSE listing. In addition, it received capital injections from its related company, TheraCann International Benchmark Corp, which has been recorded through inter-company transfers and as a result generated negative working capital.

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. The Company will finance its future activities with debt, equity, hybrid securities and funds from operations.

Expressed in US Dollars

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.

Cash and Working Capital

The Company's working capital position as at the end of the prod was as follows:

	January 31, 2023	January 31, 2022
Deficit	**(9,626,924)**	(8,298,280)
Working capital	**(3,394,245)**	(2,365,243)
Cash	**27,770**	341,752

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 or deposits will be favorable. The Company may seek additional financing through debt or equity offerings for the purposes of international expansion, 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.

Operating Activities

Net cash used in operating activities for the year ended January 31, 2023, was $27,609 compared to $777,459 in the fifteen months ended January 31, 2022. The Company is focusing on ramping up operations during the period and incurred operating expenses as discussed above, which were offset partially though increased revenues in 2023.

Investing Activities

Net cash used in investing activities for the year ended January 31, 2023, was $250,860 for product development... In the fifteen months ended January 31, 2022 had cash from investing activities of $1,136,365 mostly due to the cash acquired on reverse acquisition and amounts received from related parties offset by investments in equipment and product development.

In the Company's long form prospectus of May 31, 2021 for common equity and warrants, the Company indicated proceeds from the offering and cash to be used as follows:

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**

This expenditure profile is very close to actual expenditures made. General and Administrative expenses were salaries, rent, audit costs, legal fees, regulatory and filing fees.

Financing Activities

Net cash from financing activities during the year ended January 31, 2023, was $35,513 as the company received proceeds from a loan payable offset by repayment of lease liabilities and repayment of amounts due to related parties. In the fifteen-month period ended January 31, 2022, the Company had cash used in financing activities of $17,204 due to repayment of lease liabilities offset by proceeds from issuance of common shares.

Expressed in US Dollars

OUTSTANDING SHARE DATA

The common shares of the Company were put on a trading halt on April 6, 2022 as a result of missed filing dates and the revocation of the CTO was made on December 22, 2022. The Company shares are listed on the CSE under the symbol "BYFM" and US OTC stock market under the symbol "BYFMF"

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As at January 31, 2023 the Company had 90,964,806 shares issued and outstanding (January 31, 2022 – 90,964,806).

The following is a summary of the share transactions since inception:

	Number of common shares	**Amounts**
Balance, October 31, 2019	100	10,000
Net loss and comprehensive loss	-	-
Balance, October 31, 2020	100	10,000
Reverse acquisition transaction		
Common shares acquired from legal subsidiary	(100)	-
Equity of Sprout AI Inc.	28,000,100	536,391
Elimination of equity of Sprout AI Inc.	-	(536,391)
Issuance of common shares pursuant to reverse takeover ("RTO")	50,000,000	3,953,502
Common shares issued on exercise of special warrants	11,764,706	1,661,130
Common shares issued on closing of private placements	500,000	20,233
Common shares issued on closing of private placements	700,000	364,525
At January 31, 2022	90,964,806	6,009,390
At January 31, 2023	**90,964,806**	**6,009,390**

RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel

Transactions with key management personnel of the Company include certain members of the Company's executive management team and the Board of Directors which have the responsibilities for strategic planning, oversight and control of the Company. During the year, the total compensation paid to executive management team and Board of Directors amounted to $269,953 (2022 - $195,380).

b) Other related party transactions

During the year, the Company received deposits from TheraCann International Benchmark Corp., an entity controlled by an officer of the Company, in the amount of of $692,743 (2022 $507,157) and recognized as deferred revenue. Sales revenue was recognized from deferred revenue in the amount of $575,434 (2022 $Nil) for Habitat parts delivered during 2023. Cost of sales associated with the sales is $302,855 (2022 $Nil).

During the year, the Company received other revenue from TheraCann International Benchmark Corp., an entity controlled by an officer of the Company, in the amount of $163,055 (2022 $63,613) for management and consulting services provided during 2023.

During the year, the Company received other revenue from TheraCann Africa Benchmark Corporation, an entity controlled by an officer of the Company, in the amount of $6,152 (2022 $Nil) for management and consulting services provided during 2023.

During the year, the Company received other revenue from TheraCann Australia Benchmark Pty Ltd., an entity controlled by an officer of the Company, in the amount of $6,500 (2022 $Nil) for shipping services provided during 2023

Expressed in US Dollars

During the year, the Company received other revenue from One System One solution, S.A., an entity controlled by an officer of the Company, in the amount of $106,877 (2022 $49,022) for software development services provided during 2023. During the year, the Company was charged a software licensing fee in the amount of $41,988 (2022 $52,485) by One System One Solution, S.A., an entity controlled by an officer of the Company.

During the year, the Company entered into a service agreement with TheraCann Canada Inc., an entity controlled by an officer of the Company, a deposit of $31,703 (2022 $Nil) was received and recognized as deferred revenue.

During the year, the Company was charged $320,724 (2022 $320,742) by TheraCann International Benchmark Corp., an entity controlled by an officer of the Company, in connection with the Company's premises sublease.

As at January 31, 2023 and 2022, the Company had amounts due from (to) related parties, which are controlled by an officer of the Company. See Note 12 for details.

Included in accounts payable are $72,452 (2022 $4,362) payable to an officer of the Company, received to facilitate the Company's operation.

The following shows the amounts due from and due to related parties:

Due from related parties	**January 31, 2023**	January 31, 2022
TheraCann Australia Benchmark Pty Ltd.	**-**	4,966
TheraCann Canada Benchmark Ltd	**33,816**	14,483
ETCH BioTrace, S.A.	**6,272**	5,590
One System One Solution, S.A.	**118,443**	25,460
	158,531	50,499

Due to related parties	**January 31, 2023**	January 31, 2022
Theracann International Benchmark Corporation	**1,933,312**	2,252,896
Theracann Canada Inc.	**7,491**	-
Theracann Australia Benchmark Pty Ltd.	**80,430**	-
	2,021,233	2,252,896

The amounts due from/to related parties are from companies that are owned or controlled by the majority shareholder. The amounts due from/to related parties are unsecured, non-interest bearing and due within 12 months.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Several amendments to existing accounting standards became effective January 31, 2023 and were first adopted by the Company during this period end.

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 AND RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts receivable and other, due from related parties, accounts payable and accrued liabilities, loan payable and due to related parties. 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 and economic dependence

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on the accounts receivable from its customers and due from related parties. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and regular review of their credit limits. As at January 31, 2023, 100% (2022 - 100%) of the contracted revenues are from four (2022 - two) related companies.

As of January 31, 2023, the Company had $158,531 (January 31, 2022 - $93,554) of financial assets carried at amortized cost which were subject to expected credit loss assessment in accordance with IFRS 9. The Company had determined $Nil (January 31, 2022 - $Nil) for the allowance for expected credit loss as $Nil (January 31, 2022 - $43,055) of the balance was due and collected within 30 days and $158,531 (January 31, 2022 - $50,499) was due within 12 months. There was no history of default for those debtors.

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.

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 the Company's liabilities, with the exception of the lease liabilities and non current portion of the long term debt, are due within the next 12 months

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.

Expressed in US Dollars

January 31, 2023

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	**$ 27,770**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 27,770**
Financial assets at amortized cost	**158,531**	**-**	**-**	**-**	**-**	**158,531**
Total	**$ 186,301**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 186,301**
Financial liabilities						
Other financial liabilities	**$ 2,797,886**	**$ 419,767**	**$ 32,156**	**$ -**	**$ -**	**$ 3,249,809**

January 31, 2022

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	$ 341,752	$ -	$ -	$ -	$ -	$ 341,752
Financial assets at amortized cost	93,554	-	-	-	-	93,554
Total	$ 435,306	$ -	$ -	$ -	$ -	$ 435,306
Financial liabilities						
Other financial liabilities	$ 2,573,669	$ -	$ -	$ -	$ -	$ 2,573,669

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.

Foreign currency risk is the risk is the risk to the Company's earnings that arises from volatility in foreign exchange rates. The Company may have contracts with clients to receive fees in currencies other than its measurement currency. This may have an adverse effect on the value of future revenues and assets dominated in currencies other than the United States Dollars, absent any Company specific event.

Included in the undernoted accounts are the following Canadian dollar balances:

	January 31, 2023	**January 31, 2022**
Cash	**(227)**	125,121
Due from related parties	**35,145**	25,997
Account payable	**545,552**	340,644

Interest rate risk

The Company has deposits in financial institutions. The Company is exposed to reductions in interest rates, which could impact expected current and future returns. As at January 31, 2023, the amount of $27,770 (January 31, 2022 - $341,752) was held in deposits with financial institutions.

Expressed in US Dollars

January 31, 2023

Financial assets		Floating Rate Financial Instruments		Fixed Rate Financial Instruments		Non-interest bearing		Total
Financial assets at FVTPL	**$**	**27,770**	**$**	**-**	**$**	**-**	**$**	**27,770**
Other receivables		**-**		**-**		**158,531**		**158,531**
	$	**27,770**	**$**	**-**	**$**	**158,531**	**$**	**186,301**
Financial liabilities								
Other financial liabilities	**$**	**-**	**$**	**502,159**	**$**	**2,747,650**	**$**	**3,249,809**

January 31, 2022

Financial assets		Floating Rate Financial Instruments		Fixed Rate Financial Instruments		Non-interest bearing		Total
Financial assets at FVTPL	$	341,752	$	-	$	-	$	341,752
Other receivables		-		-		93,554		93,554
	$	341,752	$	-	$	93,554	$	435,306
Financial liabilities								
Other financial liabilities	$	-	$	-	$	2,573,669	$	2,573.669

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest risk or currency risk. The Company is not exposed to any other price 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.

The fair value of the Company's receivables, and due from related parties approximate their carrying value due to their short term in nature. The Company's cash is measured at fair value using Level 1 inputs.

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.

Related Party

TheraCann owns approximately 53% of the outstanding common shares, giving legal control of the Company. TheraCann will be able to exert control on all matters requiring shareholders' approval and strategic operations of the Company.

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.

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.