



SPROUTLY CANADA INC.

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
("MD&A")**

FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2021

SPROUTLY CANADA INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2021

The following is a discussion and analysis of the financial condition and results of operations of Sproutly Canada Inc. ("Sproutly" or the "Company") for the three and nine months ended November 30, 2021. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine months ended November 30, 2021 and November 30, 2020. All amounts in the MD&A are in Canadian dollars, except share and per share amounts or as indicated otherwise. The Company's accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The effective date of this MD&A is January 28, 2022.

For reporting purposes, the Company prepares consolidated financial statements in Canadian dollars. Unless otherwise indicated, all dollar ("\$") amounts in this MD&A are expressed in Canadian dollars.

All references to we, our, us and Sproutly refer to the Company.

All references to management refer to the directors, senior officers and other officers of Sproutly, unless otherwise stated.

Cautionary Statement on Forward Looking Information

This MD&A and the Company's other public disclosure contain "forward-looking information" within the meaning of applicable Canadian securities laws ("forward-looking information") concerning the Company's business plans, including, but not limited to, anticipated results and developments in the Company's operations in future periods and other matters that may occur in the future. In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "target", "scheduled", "estimates", "forecasts", "intends", "anticipates", "determine", "continue", "projects", "potential", "proposed" or "believes", or variations or the negative of such words and phrases, or statements that certain actions, events or results "may", "could", "whether to", "would", "should", "likely", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. Forward-looking information contained in this MD&A includes, but is not limited to, statements regarding the competitive and business strategies of the Company, the Company's ongoing investment strategy, market prices, values and other economic indicators, receipt and timing of governmental approvals, including Health Canada approvals, the performance of the Company's business and operations, the intention to grow the business, operations and potential activities of the Company, the expected production capacity and revenue of the Company's projects, the competitive conditions of the industry, the anticipated changes to Canadian federal laws regarding the use of recreational cannabis and the business impacts on the Company, whether the Company will continue to be in compliance with regulatory requirements, the Company's intention to build a brand and develop cannabis products, the Company's intention to build valuable intellectual property and the anticipated benefits therefrom including accelerated sales growth and profit margins, analyses and other information based on expectations of future performance and planned products, possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action, timing, costs and potential success of future activities on the Company's facilities and projects, future outlook and goals, permitting time lines and requirements, regulatory and legal changes and requirements for additional capital, whether the Company will have sufficient working capital and its

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ability to raise additional financing required in order to develop its business and continue operations, and planned expenditures and budgets and the execution thereof.

Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, including, without limitation, assumptions about possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action, revenue from the Company's proposed operations, general economic, financial market, regulatory and political conditions in which the Company operates, general demand and consumer interest in the Company's products, competition anticipated and unanticipated costs, the future market price of medical and recreational cannabis, the ability of the Company to generate cash flow from operations and obtain necessary financing on acceptable terms, government regulation of the Company's activities and products, including in the areas of taxation and environmental protection, the timely receipt of any required regulatory approvals, the ability of the Company to obtain qualified staff, equipment and services in a timely and cost-efficient manner, and the ability of the Company to conduct operations in a safe, efficient and effective manner.

While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Furthermore, by their very nature, forward-looking information involves a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, events, results, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, without limitation, those related to the industry-wide risks, fluctuations in capital markets and share prices, risks related to the ability to obtain financing needed to fund the continued development of the Company's business, the Company's ability to manage anticipated and unanticipated costs, risks related to securing users and customers of the Company's product, risks related to securing and protecting the Company's intellectual property rights, risks related to the Company's failure to economically commercialize its product, risks related to delays or other problems in the third-party manufacturing process, risks related to the Company's failure to obtain necessary Health Canada approvals as scheduled or at all, risks related to the Company's inability to maintain or improve its competitive position, risks related to the Company's ability to establish its business internationally, risks related to the Company's ability to maintain or improve upon the medical effectiveness and usefulness of its product to intended users in the medical services industry, risks related to the Company's failure to retain key personnel and hire additional personnel needed to develop its business, risks related to the Company's failure to adequately evaluate its current business and its future prospects, risks related to the Company's business practice reputation being negatively affected by unfavourable publicity or consumer perception of the cannabis industry or the Company, the impact of any negative scientific studies on the effects of cannabis, market conditions, volatility and global economic conditions, risks associated with agreements with third parties relating to the Company's business, including agreements to manufacture and sell the Company's product and the ability to conclude such agreements on favorable terms, environmental risks, governmental regulations,

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restrictions imposed by the Canadian Securities Exchange and other regulatory authorities on the Company's business, the uncertainty of profitability based upon the Company's history of losses, risks related to foreign exchange rate fluctuations, as applicable, insurance and tax risks, general risks and uncertainties related to the Company's prospects and business strategy; and the risks described in the section of this MD&A entitled "Risk Factors".

This is not an exhaustive list of the risks and factors that may affect the Company's forward-looking information. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events, conditions, results, performance or achievements to differ materially from those described in the forward-looking information, there may be other factors that cause actions, events, conditions, results, performance or achievements not to be as anticipated, estimated or intended. In addition to those discussed in this MD&A, please refer to the risks described in the Company's public disclosure record.

The Company cautions that the foregoing lists of important assumptions and factors are not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information contained in this MD&A. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake any obligation to publicly update or revise any forward-looking information other than as required under applicable securities laws.

Description of Business

Sproutly was incorporated as "Stone Ridge Exploration Corp." on January 26, 2012, pursuant to the BCBCA. On July 6, 2018, the Company closed a plan of arrangement under the CBCA pursuant to which, among other things, Sproutly, Inc. completed a reverse takeover of Stone Ridge (now, "Sproutly Canada, Inc."). Pursuant to the Arrangement, Stone Ridge changed its name to "Sproutly Canada, Inc." and Sproutly, Inc. became a wholly-owned subsidiary of the Company.

Sproutly Canada, Inc., through its wholly owned subsidiary Sproutly, Inc., is licensed by Health Canada cultivate, produce and sell dried cannabis, to produce cannabis oil and related products, to conduct certain research and development activities, and to manufacture and sell Cannabis 2.0 products directly to provincial distributors and other authorized Canadian retail supply channels. The Company operates a 16,600 square foot production facility in Toronto, Ontario, Canada.

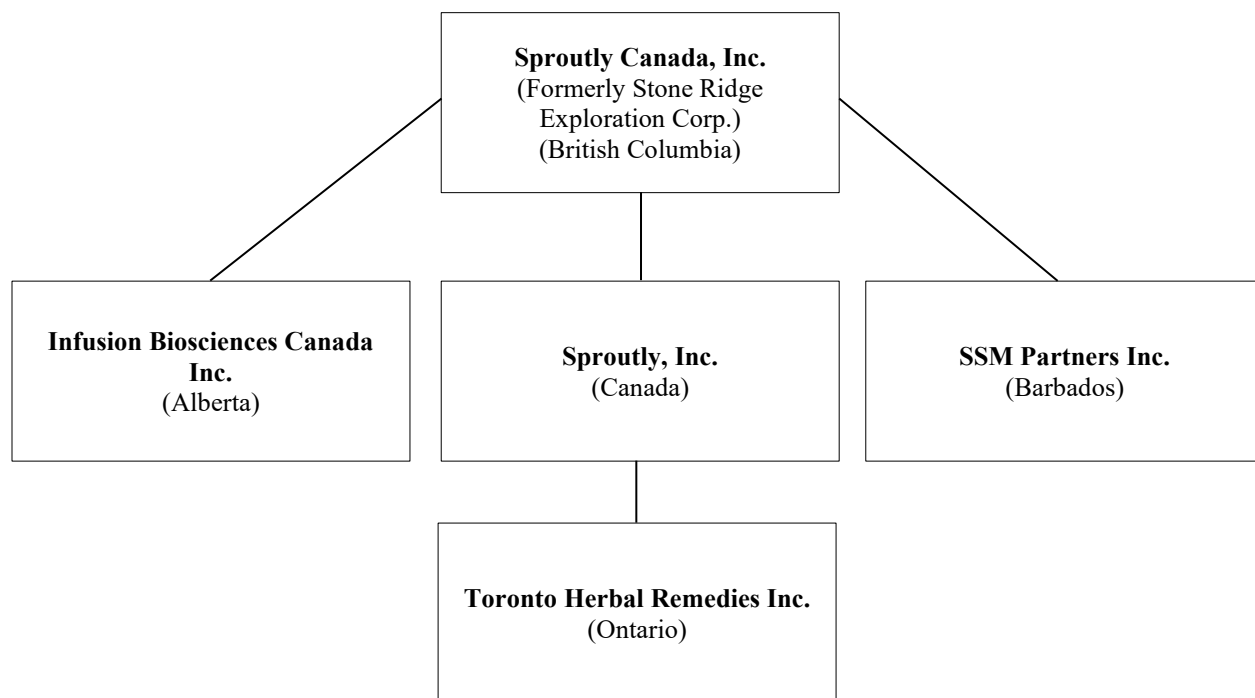
On July 6, 2018, the Company, under its former name, Stone Ridge Exploration Corp. ("Stone Ridge"), completed a reverse takeover transaction (the "Arrangement") pursuant to which it acquired all of the issued and outstanding shares of Sproutly Inc. In connection with the closing of the Arrangement, the Company changed its name from "Stone Ridge Exploration Corp." to "Sproutly Canada Inc."

Immediately prior to the completion of the Arrangement, Stone Ridge completed a consolidation of the Stone Ridge Shares on the basis of one post-Consolidation share for every two pre-Consolidation shares. Pursuant to the Arrangement, among other things, shareholders of Sproutly Inc. received approximately two (2) post-Consolidation Stone Ridge Shares in exchange for each common share of Sproutly Inc. held by such shareholder immediately prior to the effective time of the Arrangement.

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The Common Shares of the Company resumed trading following the Amalgamation on the CSE on July 9, 2018, under the symbol “SPR”. The Company is also quoted on the Frankfurt, Berlin and Munich exchanges under the symbol “38G”, and on the OTCQB Venture Marketplace under the symbol “SRUTF”

Due to the fact that the Arrangement was considered to be a reverse takeover transaction, the comparative financial information of the Company for the year ended February 28, 2019, consists of financial information of Sproutly Inc. References to the Company in this MD&A prior to July 6, 2018, refer to Sproutly Inc. unless otherwise noted.



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Recent Developments

On August 16, 2021, the Company announced the acquisition of the primary assets of CannaHive Inc. (the "Acquisition"). The Acquisition supercedes the definitive agreement between the companies announced in April of this year

On September 22, 2021, the Issuer settled outstanding current debt of the Company and the Company's subsidiary, Toronto Herbal Remedies Inc., in the aggregate amount of \$145,448, pursuant to the terms of debt settlement agreements with two arm's length creditors. In settlement of the Debt, the Company issued an aggregate of 2,908,968 common shares in the capital of the Company at a price of \$0.05 per share.

On September 30, 2021, the Issuer signed a Letter of Intent for the formation of a commercial relationship with Kingston Cannabis Inc. ("KCI") to produce its cannabis-infused beverages through a co-packing arrangement. KCI's affiliate, Kingston Aluminum Technologies Inc. ("KAT") will provide custom designed aluminum packaging for Sproutly's products. In addition, KCI and Sproutly will collaborate on the consumer evaluation of Sproutly's formulations that are made using ingredients produced by the proprietary APP cannabis processing technology.

On December 31, 2021, the Company, pursuant to a convertible debenture indenture dated October 24, 2018 between the Company and TSX Trust Company, as trustee, which has been amended pursuant to a first supplemental indenture dated April 24, 2020, a second supplemental indenture dated July 23, 2020, a third supplemental indenture dated September 23, 2020 and a fourth supplemental indenture dated April 22, 2021 (collectively, the "Indenture"), the Company settled accrued and unpaid interest ("Interest") under the Indenture in the amount of \$70,000 through the issuance of 1,400,000 common shares in the capital of the Company (the "Settlement Shares") at a price of \$0.05 per Settlement Share.

Outlook

The Company's objective is to capitalize on the growing legal recreational cannabis market in Canada, as well as in other global jurisdictions that are legally regulated for cannabis sales both medically and recreationally by legislation similar to the *Cannabis Act* (Canada), the *Cannabis Regulations* and other applicable law. The Company's vision is to become a leader in the production of cannabis and cannabis-based products specifically in the beverage and consumables markets by utilizing the "Aqueous Phytorecovery Process" cannabis extraction technology (the "**APP Technology**") licensed for Canada, Europe, Australia, Jamaica, and Israel (collectively, the "**Territory**") by the Company's acquisition of Infusion Biosciences Canada Inc. ("**Infusion Biosciences Canada**"). The Company intends to work with partners to formulate, brand and distribute beverages and other consumer packaged goods products in the Territory and also develop proprietary consumable products.

The Company was granted an amended extract sales license from Health Canada (the "Sales License") in October 2020. Under its Sales License, the Company is now authorized to manufacture and sell Cannabis 2.0 products directly to provincial distributors and other authorized Canadian retail supply channels. The Company's ability to sell Cannabis 2.0 products allows it to utilize its licensed APP Technology and offer strain specific cannabis extracts, edible and beverage products in Canada through its existing provincial sales relationships. With the completion of the partnership agreement with CMG, the Company is focused on the marketing and sales of innovative cannabis products.

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Selected Information

	For the three months ended November 30,		For the nine months ended November 30,	
	2021	2020	2021	2020
		\$		\$
Revenue	121,181	69,120	486,626	439,044
Net revenue	94,638	35,520	437,476	220,349
Gross profit (loss)	(26,575)	(29,979)	55,142	(18,674)
Expenses	604,213	584,472	1,643,650	2,392,743
Loss from operations	(630,788)	(614,451)	(1,588,508)	(2,411,417)
Net loss	(1,130,674)	(782,331)	(1,926,697)	(4,552,428)
Total comprehensive loss	(1,142,428)	(777,668)	(1,931,775)	(4,525,962)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.02)
Weighted average number of common shares	362,744,415	279,176,471	355,833,609	256,660,309

Results of Operations

Financial Results for the three months ended November 30, 2021 and November 30, 2020

During the three months ended November 30, 2021, the Company reported a net loss of \$1,130,674 and a loss per share of nil, compared to a net loss of \$782,668 and a loss per share of nil for the three months ended November 30, 2020.

For the three months ended November 30, 2021, the Company generated net revenue of \$121,181 from the sale of 26,292 grams of flower with a cost of sales of \$110,468. In addition, the Company recognized \$10,971 of losses related to inventory impairment and a realized gain of \$226 in fair value adjustments on inventory sold during the quarter.

During the quarter, the Company experienced an increase in sales of 9,492 grams compared to the prior quarter ended August 31, 2021 of 16,800 grams, but 7,308 grams fewer compared to the quarter ended November 30, 2020 of 33,600 grams. The increase from the prior quarter is attributed to the Company continuing effort to sell the remaining flower and dedicate most of its resources to the research and development for the production of Cannabis 2.0 products utilizing the APP technology (see Recent Developments). Sales were higher for the quarter ended November 30, 2020 as the Company had significantly more flower in stock and the priority to sell as much of the inventory as possible while the Company underwent a restructuring.

General and administrative expenses increased by \$136,114 for the three months ended November 30, 2021, compared to the same period in 2020. The difference was primarily attributed to an increases in professional fees of \$75,026, investor relations of \$97,490 and wages of \$20,312. The Company has engaged consultants to assist with financing initiatives and hired additional staff to assist with research and development of Cannabis 2.0 products. Office and administration expenses decreased by \$56,714 as the Company continues to scale back expenditures that are not part of the research and development of Cannabis 2.0 products.

Depreciation decreased by \$13,547 during the three months ended November 30, 2021, due to an impairment write-down of \$11,743,875 on the Company's property, plant and equipment as well as intangible assets in period ended February 28, 2021.

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Financing and other costs decreased to \$376,797 for the three months ended November 30, 2021, a decrease of \$340,126 compared to three months ended November 30, 2020. This was the result of decreases in interest expense of \$37,585 and accretion of \$304,017 from settlements of interest accruing convertible debentures.

Share-based payments decreased by \$98,710 for the three months ended November 30, 2021, as compared to the same period in the previous year as there were significantly fewer unvested stock options due to forfeitures in the prior year.

During the three months ended November 30, 2021, the Company recognized a deferred loss of \$170,191 compared to \$117,552 in the same period in 2020 while recording a deferred gain of \$10,037 compared to \$21,936 in the same period.

During the three months ended November 30, 2020, the Company has entered into agreements to extend the maturity of its convertible debentures resulting in a gain of \$663,167. The Company did not enter into any amendments for the three months ended November 30, 2021.

Financial Results for the nine months ended November 30, 2021 and 2020

During the nine months ended November 30, 2021, the Company reported a net loss of \$1,926,697 and a loss per share of \$0.01, compared to a net loss of \$4,525,962 and a loss per share of \$0.02 for the nine months ended November 30, 2020.

For the nine months ended November 30, 2021, the Company generated net revenue of \$486,626 from the sale of 112,812 grams of flower, with a cost of sales of \$335,794. In addition, the Company recognized \$49,754 of losses related to inventory impairment and a realized gain of \$3,214 in fair value adjustments on inventory sold. During the nine months ended November 30, 2020, the Company generated net revenue of \$439,044 from the sale of 173,888 grams of flower, with a cost of sales of \$437,734. In addition, the Company recognized a gain of \$24,701 from changes in fair value of biological assets, a recovery related to inventory impairment of \$10,387 and a realized gain of \$163,263 in fair value adjustments. The reduction in sales for the nine months ended November 30, 2021 compared to 2020 is attributed to the Company exiting the flower cultivation business and shifting its priorities and resources for the research and development for the production of Cannabis 2.0 products utilizing the APP technology (see Recent Developments).

General and administrative expenses increased by \$142,525 for the nine months ended November 30, 2021, compared to the nine months ended November 30, 2020. The difference was primarily attributed to increase of \$71,942 in professional fees, \$97,273 in wages and \$71,121 in investor relations. The Company has engaged consultants to assist with financing initiatives and hired additional staff to assist with research and development of Cannabis 2.0 products. Office and administration expenses decreased by \$56,714 as the Company continues to scale back expenditures that are not part of the research and development of Cannabis 2.0 products.

Depreciation decreased by \$43,525 during the nine months ended September 30, 2021, due to an impairment write-down of \$11,743,875 on the Company's property, plant and equipment as well as intangible assets in period ended February 28, 2021.

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Financing and other costs decreased to \$1,362,036 for the nine months ended November 30, 2021, a decrease of \$1,000,900 compared to nine months ended November 30, 2020. This was the result of decreases in interest expense of \$163,841 and accretion of \$884,951 from settlements of interest accruing convertible debentures. For the nine months ended November 30, 2021, the Company incurred non-cash financing fees of \$47,363 by issuing 947,250 Units for the March 15, 2021 and April 15, 2021 private placements.

Share-based payments decreased by \$842,485 for the nine months ended November 30, 2021, as compared to the previous year as there were significantly fewer unvested stock options due to forfeitures in the prior year.

During the nine months ended November 30, 2021, the Company recognized a gain on disposal of assets of \$12,938 compared to \$20,892 for the nine months ended November 30, 2020. In addition, the Company recorded a gain on bargain purchase of \$574,289 through the acquisition of production equipment, cannabis extracts and supplies and consumables from Cannahive.

During the nine months ended November 30, 2021, the Company recognized a gain on extinguishment and modification of loans of \$653,772 compared to \$640,595 for the nine months ended November 30, 2020 due to extending the maturity of its convertible debentures. The Company also recognized a deferred loss of \$390,878 compared to \$491,429 in the prior year while recording a deferred gain of \$15,623 compared to \$40,673 for the nine months ended November 30, 2020.

Government subsidies for the nine months ended November 30, 2021 were nil compared to \$21,713 for the nine months ended November 30, 2020 as the Company was ineligible for subsidies by the Canada government.

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Summary of Quarterly Results

	Nov 30, 2021	Aug 31, 2021	May 31, 2021	Feb 28, 2021	Nov 30, 2020	Aug 31, 2020	May 31, 2020	Feb 29 2020
							\$	\$
Revenue	121,181	46,543	318,902	210,811	69,120	344,049	25,875	246,384
Excise duties	(26,543)	63,030	(85,637)	(114,736)	(33,600)	(148,402)	(36,693)	(94,169)
Net Revenue	94,638	109,573	233,265	96,075	35,520	195,647	(10,818)	152,215
Cost of sales	110,468	29,707	195,619	162,736	77,596	295,918	63,860	294,039
Loss (reversal) related to inventory impairment	10,971	9,484	29,299	266,092	24,545	(34,942)	-	1,447,527
Gross profit (loss) before fair value adjustments	(26,801)	70,382	8,347	(332,753)	(66,621)	(65,339)	(74,678)	(1,589,351)
Realized fair value adjustments on inventory sold	(226)	(851)	(2,137)	(36,284)	(36,642)	(102,150)	(24,471)	97,377
Unrealized loss (gain) on changes in fair value of biological assets	-	-	-	-	-	-	(24,701)	696,112
Gross profit (loss)	(26,575)	71,233	10,484	(296,469)	(29,979)	36,811	(25,506)	(2,382,840)
Expenses								
General and administration	567,127	473,131	485,932	313,190	431,013	398,381	554,271	1,200,522
Marketing	1,920	3,333	8,813	2,737	6,036	6,280	7,358	972
Depreciation and amortization	15,019	14,950	14,682	28,487	28,566	30,675	28,935	158,160
Share-based payments	20,147	28,872	9,724	(681,153)	118,857	463,102	319,269	272,703
Impairment charge for non-financial assets	-	-	-	11,743,875	-	-	-	50,351,000
Loss from operations	(630,788)	(449,053)	(508,667)	(11,703,605)	(614,451)	(861,627)	(935,339)	(54,366,197)
Other expense (income)								
Other expense (income)	(27,559)	(91,677)	(28,805)	4,866	16,754	(41,680)	19,307	54,415
Finance and other costs	376,797	401,932	583,307	595,010	716,923	783,224	862,789	819,955
Government subsidies	-	-	-	(76,885)	(1,500)	(20,213)	-	-
Foreign exchange	(9,506)	(29,607)	29,051	12,358	3,254	31,488	(15,131)	(1,522)
Gain on disposal of assets	-	(12,938)	-	-	-	(20,892)	-	-
Gain on sublease	-	-	-	-	-	(9,525)	-	-
Loss (Gain) on extinguishment and modification of loans	-	(2,284)	(651,488)	42,740	(663,167)	22,572	-	-
Loss on convertible loan financing	170,191	172,061	48,626	(730)	117,552	185,646	189,964	80,528
Gain on related party loan	(10,037)	(2,096)	(3,490)	(4,689)	(21,936)	(13,415)	(1,003)	-
Gain on extinguishment of lease obligation	-	-	-	-	-	-	-	(18,304)
Net loss before tax	(1,130,674)	(310,155)	(485,868)	(12,276,275)	(782,331)	(1,778,832)	(1,991,265)	(55,301,269)
Income tax recovery	-	-	-	(416,756)	-	-	-	(1,137,144)
Net loss	(1,130,674)	(310,155)	(485,868)	(11,859,519)	(782,331)	(1,778,832)	(1,991,265)	(54,164,125)
Net loss per share (i)	-	-	-	(0.04)	-	(0.01)	(0.01)	(0.24)

(i) Net loss per share fluctuates from period to period and is impacted by the amount of loss incurred and the number of weighted average number of common shares outstanding.

Liquidity and Capital Resources

The Company's objectives when managing its liquidity and capital resources are to ensure sufficient liquidity to support its financial obligations, while executing on its operating and strategic plans. The Company manages its working capital by monitoring operational and cash flow forecasts to identify cash flow needs for general corporate and working capital purposes.

	November 30, 2021	February 28, 2021
Cash	\$ 75,906	\$ 171,818
Other current assets	934,629	746,446
Non-current assets	3,802,663	3,279,696
Current liabilities	9,485,861	9,702,447
Non-current liabilities	282,137	109,202
Working capital deficit	(8,475,326)	(8,784,183)

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As at November 30, 2021, the Company had cash available of \$75,906 (February 28, 2021 - \$171,818) and a working capital deficit of \$8,475,326 (February 28, 2021 - working capital of \$8,784,183).

Cash from Operating Activities

The Company used \$1,281,168 in operating activities during the nine months ended November 30, 2021. The Company has incurred losses to date. The Company's subsidiary, THR, received its flower sales license from Health Canada effective October 16, 2019, and its extracts sales license effective October 15, 2020. As a result, the Company began to generate revenue from the sale of flower through authorized distributors and retailers near the end of the fiscal year ended February 29, 2020, and has yet to record revenue related to Cannabis 2.0 products.

Cash from Financing Activities

During the nine months ended November 30, 2021, Sproutly received proceeds of \$1,030,746 from a private placement, \$161,728 from a related party and \$250,000 from a third party lender. The Company also re-paid \$150,000 for another related party loan. In terms of leases, the Company paid \$19,927 in lease obligations and received \$22,385 in sublease payments.

Cash from Investing Activities

During the nine months ended November 30, 2021, Sproutly used \$117,786 for the purchase of plant and equipment and received \$12,938 for the sale of flowering equipment.

Liquidity Outlook

The Company has incurred losses to date. The Company began to generate revenue in the second quarter of fiscal 2020 but will incur losses until revenues reach a level where operations become profitable. The Company's ability to reach profitability is dependent on the successful implementation of its business strategy. While Management is confident in the success and profitability of the business, there can be no assurance that Sproutly will gain adequate market acceptance for its products or be able to generate sufficient gross margins to reach profitability.

The Company acknowledges that there is material uncertainty over the Company's ability to meet its funding requirements as they fall due. The Company's ability to continue in the normal course of operations is dependent on its ability to raise additional capital through debt and equity financings or refinancing debt as it comes due. While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in closing further financing in the future. Also, there can be no assurance that additional financing can be obtained in a timely manner, or at all, especially in light of the potential impact of COVID-19 on capital markets. Accessing the capital markets can be particularly challenging for companies operating in the cannabis industry. The Company has established and put into motion various initiatives to reduce costs and expand revenues and will continue to explore opportunities to leverage its assets to generate cash flow.

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Capital Structure

The following table summarizes the maximum number of common shares potentially outstanding as at November 30, 2021 and as of the date of this MD&A if all outstanding options and warrants were converted to common shares:

	As of November 30, 2021	As of the date of this MD&A
Common shares	363,223,915	364,623,915
Options	19,804,139	19,804,139
Warrants	29,413,287	29,413,287
Convertible Debenture units	29,166,667	29,166,667
Infusion Biosciences Convertible Bridge Loan	36,649,385	37,571,346
Related Party Loan	30,682,253	31,443,465
Fully diluted	508,939,646	512,022,819

As at November 30, 2021, the Company had no off-balance sheet arrangements.

Related Party Transactions and Balances

(a) Compensation of key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

The remuneration of key management personnel during the three and nine months ended November 30, 2021 are as follows:

	Three months ended		Nine months ended	
	November 30, 2021	November 30, 2020	November 30, 2021	November 30, 2020
	\$	\$	\$	\$
Management compensation ⁽ⁱ⁾⁽ⁱⁱ⁾	50,200	68,790	173,228	276,168
Share-based payments ⁽ⁱⁱⁱ⁾	6,540	56,499	6,590	324,652
	56,740	125,289	179,818	600,820

- (i) Management compensation consisted of salaries for the Chief Executive Officer, Chief Financial Officer, Chief Science Officer and Chief Commercial Officer.
- (ii) As of November 30, 2021, the Company owed \$270,821 to key management personnel and directors recorded in accounts payable and accrued liabilities.
- (iii) Share-based payments are the fair value of options granted and vested to key management personnel and directors of the Company under the Company's stock option plan. For the

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period ended November 30, 2021, a recovery of \$33,157 was recorded due to forfeiture of unvested stock options of a terminated executive officer.

(b) Related party loan

The Company entered into an \$855,000 secured loan agreement from Infusion Biosciences Inc., a company where the current Chief Executive Officer is a shareholder.

(c) Convertible bridge loan

On January 28, 2020, the Company secured a private loan with Infusion Biosciences Inc. for \$1,000,000.

(d) Non-interest bearing loan with BNO Holdings Inc.

On February 10, 2021, the Company received a related party loan from BNO Holdings Ltd., a company where the current Chief Executive Officer is a shareholder, for \$150,000. The loan is unsecured, bears no interest and is due on demand.

(e) Private placement

As part of the April 15, 2021, second and final tranche of the private placement for gross proceeds of \$795,802, Dr. Arup Sen, Chief Executive Officer and Director of the Company, purchased 3,000,000 Units through a company controlled by Dr. Sen.

(f) Related party short-term loan

For the nine months ended November 30, 2021, the Company received an unsecured and interest-free loan of \$161,728 from a company owned by the Company's Chief Executive Officer that is due on demand.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carry amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described in Note 2 to the Company's financial statements which accompany this MD&A and are available under the Company's profile at www.sedar.com.

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Recent Accounting Pronouncements Adopted

For details, please refer to Note 3 of the November 30, 2021, financial statements which accompany this MD&A and are available under the Company's profile at www.sedar.com.

Recent Accounting Pronouncements Not Yet Effective

For details, please refer to Note 3 of the November 30, 2021, financial statements which accompany this MD&A and are available under the Company's profile at www.sedar.com.

Financial Instruments and Other Instruments

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets, if applicable. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequent measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.
Equity investments at FVOCI	These assets are subsequent measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI. Changes in fair value are recognized in OCI and are never recycled to profit and loss, even if the asset is sold or impaired.

Financial Liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Financial Instruments	Classification
Cash	Amortized cost
Accounts receivable (excluding GST and HST receivables)	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost
Convertible loans payable	Amortized cost
Contingent consideration payable	FVTPL

Fair value measurements and disclosures use the following hierarchy definitions in determining its classifications:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs)

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. As at November 30, 2021, cash, trade receivables, accounts payable and accrued liabilities, on-demand loans approximate their fair value due to their short-term nature. The initial fair value of the Company's loans and borrowings as well as convertible loans payable have been measured using Level 3 valuation methods and are classified at amortized costs and accounted for using the effective interest rate method.

The carrying values of financial instruments as at November 30, 2021 are summarized in the following table:

	Amortized Costs	FVTPL	Total
Financial assets			
Cash	\$75,906	-	\$75,906
Receivables	81,466	-	81,466
Financial liabilities			
Accounts payable and accrued liabilities	2,627,703	-	2,627,703
Loans and borrowings	3,646,483	-	3,646,483
Convertible loan payable	3,344,492	-	3,344,492

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The carrying values of financial instruments at February 28, 2021 are summarized in the following table:

	Amortized Costs	FVTPL	Total
Financial assets			
Cash	\$171,818	-	\$171,818
Accounts receivable	94,864	-	94,864
Financial liabilities			
Accounts payable and accrued liabilities	2,649,765	-	2,649,765
Loans and borrowings	4,110,805	-	4,110,805
Convertible loan payable	2,917,955	-	2,917,955

(a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Receivables are comprised of 43% GST and HST. The Company has assessed ECL in accordance to IFRS 9 and management determined ECL to be nominal due to the type of receivables.

(b) Concentration risk

Excluding GST and HST receivables, the Company's trades receivables are primarily due from six provincial government agencies representing 100% (February 28, 2021 – 100%) of total revenue for the three and nine months ended November 30, 2021.

(c) 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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its holdings of cash and financing opportunities.

Since incorporation, the Company's primary source of funding has been through debt and equity. The Company's access to financing is always uncertain. As at November 30, 2021, the Company had current assets of \$1,010,535 to settle current liabilities of \$9,485,861.

The Company has the following undiscounted loan obligations as at November 30, 2021, which are expected to be payable in the following respective periods:

	\$
Less than 1 year	7,016,728
1 to 3 years	370,000
	<u>7,386,728</u>

Subsequent to the three months ended November 30, 2021, the Company is closely monitoring its risks to its operations due to the outbreak of COVID-19. Factors that could impact production, prices or demand of its products that can materially impact cash the Company's cash flow from operations, which could result in a cash shortfall and/or default in financial obligations.

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(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Company does not charge or is charged floating interest rates on its loans receivable, payables or other instruments.

Commitments

On January 1, 2021, the Company entered into a one-year building lease agreement for monthly payments of \$1,000 expiring on December 31, 2021. Future lease payments of the remaining lease are \$1,000.

In accordance with the simplified transition approach and practical expedients applied, the Company elected not to recognize right-of-use assets and lease liabilities for short-term leases for this lease.

Risks and Uncertainties

Details of the risks and uncertainties related to the Company's business are set out in the Management Discussion and Analysis dated February 29, 2021 under the heading "Risk Factors" which is available under the Company's profile on SEDAR at www.sedar.com.

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CORPORATE DIRECTORY

**Trading Symbol – SPR
Exchange - CSE**

Sproutly Canada Inc.

300-1008 Homer Street
Vancouver, BC
V6B 2X1
www.sproutly.ca
info@sproutly.ca

Officers and Directors

Dr. Arup Sen – CEO and Director
Craig Loverock – CFO, Corporate Secretary and Director
Con Constandis – Director
Paul Marcellino – Director

Audit Committee

Con Constandis (Chairman)
Dr. Arup Sen
Paul Marcellino

Legal Counsel

Dumoulin Black LLP
10th floor – 595 Howe Street
Vancouver, BC V6C 2T5
Tel: 604-687-1224
Fax: 604-687-8772

Auditor

MNP LLP
1021 West Hastings Street, Suite 2200
Vancouver, BC, Canada V6E 0C3
Tel: 604-685-8408

Transfer Agent

TSX Trust Company
650 West Georgia Street, Suite 2700
Vancouver, BC V6B 4N9
Tel: 604-696-4578