Sproutly Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended May 31, 2018 and 2017
(In Canadian Dollars)

Sproutly Inc.
Condensed Interim Consolidated Statements of Financial Position
May 31, 2018 and February 28, 2018
(Unaudited – Expressed in Canadian Dollars)

	Notes	May 31, 2018	February 28, 2018
		$	$
Assets			
Current Assets			
Cash		1,632,298	741,385
Receivables	3	489,503	395,670
Prepaid expenses		283,208	-
		2,405,009	1,137,055
Non-Current Assets			
Property, plant and equipment	5	11,200,044	10,914,333
Intangible assets	4	6,631,931	6,200,305
Goodwill	4	1,322,544	1,208,036
		21,559,528	19,459,729
Liabilities			
Current Liabilities			
Account payable and accrued liabilities	6	1,638,180	1,740,596
On-demand loan	7	-	100,000
Borrowings	8	150,000	150,000
Loan payable	9	4,924,000	6,611,382
Convertible loan payable	10	3,324,891	979,079
		10,037,071	9,581,057
Non-Current Liabilities			
Related party loan	11	-	1,581,887
Shareholder loan	12	888,547	876,587
Deferred tax liability	4, 21	1,322,544	1,208,036
		12,248,162	13,247,567
Shareholders' Equity			
Share capital	13	11,531,403	7,832,586
Contributed surplus	10	627,129	152,230
Options reserve	14	496,452	330,095
Warrants reserve	13	799,700	567,854
Accumulated deficits		(4,143,318)	(2,670,603)
		9,311,366	6,212,162
		21,559,528	19,459,729

Nature of Operations (Note 1)
Commitments (Note 20)
Subsequent Events (Note 22)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Sproutly Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
Three months ended May 31, 2018 and 2017
(Unaudited – Expressed in Canadian Dollars)

	Notes	**May 31, 2018**	**May 31, 2017**
		$	**$**
Expenses			
General and administration	16	1,218,301	121,766
Marketing		70,940	-
Depreciation	5	1,464	-
Share-based payments	14	166,357	64,719
Loss from operations		1,457,062	186,485
Other Expense (Income)			
Other expense		9,596	-
Finance and other costs	17	491,112	288
Gain on extinguishment of interests and loans	9(ii)(iii), 11	(485,055)	-
		15,653	288
Net Loss and Comprehensive Loss for the Period		**1,472,715**	**186,773**
Basic and diluted loss per share		**(0.04)**	**(0.02)**
Weighted average number of shares outstanding Basic and diluted		**33,925,645**	**9,566,418**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Sproutly Inc.
Condensed Interim Consolidated Statements of Changes in Equity
Three months ended May 31, 2018 and 2017
(Unaudited – Expressed in Canadian Dollars)

	Notes	Number of Common Shares	Share Capital	Total Reserves	Accumulated Deficit	Total Shareholders' Equity
			$	$	$	$
Balance, January 17, 2017		**-**	**-**	**-**	**-**	**-**
Incorporation shares	13(b)(i)(ii)	10,000,000	50,000	-	-	50,000
Net loss and comprehensive loss for the period		-	-	-	(186,773)	(186,773)
Share-based payments		-	-	64,719	-	64,719
Balance, May 31, 2017		**10,000,000**	**50,000**	**64,719**	**(186,773)**	**(72,504)**
Net loss and comprehensive loss for the period		-	-	-	(2,483,830)	(2,483,830)
Equity component of convertible notes (deferred tax recovery on conversion)		-	-	152,230	-	152,230
Issuance of units consisting of shares and warrants	13(b)(iii)	7,413,160	3,049,387	567,854	-	3,617,241
Issuance of shares on Toronto Herbal Remedies Inc. acquisition	13(b)(iv)	11,544,388	4,733,199	-	-	4,733,199
Share-based payments		-	-	265,376	-	265,376
Balance, February 28, 2018		**28,957,548**	**7,832,586**	**1,050,179**	**(2,670,603)**	**6,212,162**
Net loss and comprehensive loss for the period		-	-	-	(1,472,715)	(1,472,715)
Equity component of convertible notes	10(ii)	-	-	474,899	-	474,899
Warrants issued for convertible debentures	13(c)	-	-	231,846	-	231,846
Issuance of shares for loan and interest repayments	9(ii)(iii), 11, 13(b)(v)(vi)	9,021,505	3,698,817	-	-	3,698,817
Share-based payments		-	-	166,357	-	166,357
Balance, May 31, 2018		**37,979,053**	**11,531,403**	**1,923,281**	**(4,143,318)**	**9,311,366**

The accompany notes are an integral part of these Condensed Interim Consolidated Financial Statements

Sproutly Inc.
Condensed Interim Consolidated Statement of Cash Flows
Three months ended May 31, 2018 and 2017
(Unaudited – Expressed in Canadian Dollars)

	Notes	May 31, 2018	May 31, 2017
		$	$
Cash Provided by (used in) Operating Activities			
Net loss and comprehensive loss		(1,472,715)	(186,773)
Adjusted for non-cash items:			
Depreciation of fixed assets		1,464	-
Share-based payments	14	166,357	64,719
Financing fees	13(c)	231,846	-
Accretion expense	17	237,671	-
Interest recovery	9(iii), 11	(76,606)	-
Gain on extinguishment of interests and loans	9(ii)(iii), 11	(485,055)	-
Changes in non-cash operating working capital			
Increase in GST receivables		(47,849)	-
Increase in other receivables		(45,984)	-
Increase in prepaid expenses		(283,208)	-
Increase (decrease) in accounts payable and accrued liabilities		224,861	16,841
		(1,549,218)	(105,213)
Cash Provided by (used in) Financing Activities			
Proceeds (repayment) of short term loans		(100,000)	791,000
Shares issued for cash		-	50,000
Proceeds of convertible debt	10	2,184,101	-
Proceeds from equity portion of convertible debt	10	474,899	-
		2,559,000	841,000
Cash Provided by (used in) Investing Activities			
Funds advance to Sproutly USA Inc.		-	(265,000)
Purchase of property, plant and equipment		(118,869)	-
		(118,869)	(265,000)
Net change in cash		890,913	470,787
Cash, beginning of period		741,385	-
Cash, ending of the period		**1,632,298**	**470,787**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

1. Nature and continuance of operations

Sproutly Inc. (on a consolidated basis "the Company" or "Sproutly") was incorporated on January 17, 2017 and is a company continued under the Business Corporations Act (British Columbia). The Company intends to identify and evaluate potential business opportunities in the medicinal cannabis industry. The registered office is located at 10th floor – 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

On February 28, 2018, the Company acquired all of the issued and outstanding common shares of Toronto Herbal Remedies Inc. ("THR") in exchange for 11,544,388 common shares of Sproutly valued at $0.41 per share, for total consideration of $4,733,199.

THR has applied for a license to produce and sell medical marijuana under the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). On June 8, 2018, Health Canada has approved the application and granted THR a cultivation license.

On July 9, 2018, the Company began trading on the Canadian Securities Exchange ("the Exchange") under the symbol "SPR". (Note 22)

The Company has not generated any revenues from operations and has incurred losses since inception. The Company incurred an accumulative net loss of $4,143,318 and negative cash flows from operating activities for the period from January 17, 2017 to May 31, 2018. To date, the Company's activities have been funded through financing activities. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand and through the private placements of common stock.

The accompanying condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The condensed interim consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that could result should the Company be unable to continue as a going concern.

2. Summary of significant accounting policies

(a) Basis of presentation

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies and critical estimates applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the period from January 17, 2017 to February 28, 2018.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on July 30, 2018.

2. Significant accounting policies (continued)

(b) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary THR. All intercompany balances and transactions were eliminated on consolidation.

(c) Basis of measurement

The condensed interim consolidated financial statements have been prepared on a historical costs basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

(d) Functional currency

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. The functional and presentation currency used to prepare the Company's condensed interim consolidated financial statements is Canadian dollars.

(e) Significant accounting judgements, 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 below.

Critical judgements in applying accounting policies

(i) Going concern

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its financial statements. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

Critical estimates

(ii) Business combination

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities.

2. Significant accounting policies (continued)

(ii) Business combination (continued)

For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

(iii) Current and deferred taxes

The determination of income tax expense and the composition of deferred tax assets and liabilities involves judgment and estimates as to the future taxable earnings, expected timing of reversal of deferred tax assets and liabilities, and interpretations of tax laws. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these interpretation, judgments and estimates may materially affect the final amount of current and deferred tax provisions, deferred income tax assets and liabilities, and results of operations.

(iv) Fair value of financial instruments

The individual fair values attributable to the different components of a financing transaction, notably borrowing liabilities are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine the values attributable to each component of a transaction at the time of their issuance. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

(v) Share-based payments

All equity-settled, share-based awards issued by the Company are fair valued using the Black-Scholes option-pricing model or other fair value techniques. In assessing the fair value of equity based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

(f) Recent accounting pronouncements adopted

The following standards and amendments have been adopted by the Company for the first time for the financial year beginning on March 1, 2018:

2. Significant accounting policies (continued)

(i) IFRS 15 Revenue from Contracts with Customers

Clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosure about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Given the Company has no revenue to date, this standard is not expected to have a material impact on the consolidated financial statements.

(ii) IFRS 9 Financial Instruments

Replaces the guidance in IAS 39 - Financial Instruments; Recognition and Measurement, on the classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost or financial assets measured at fair value. Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and since the Company does not have any financial liabilities designated at fair value through profit or loss. The adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities.

The following table summarizes the classification impact upon adoption of IFRS 9. The adoption of new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of the financial assets and liabilities.

Financial asset/liability	Classification under IAS 39	Classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
On-demand loans	Other financial liabilities	Amortized cost
Borrowings	Other financial liabilities	Amortized cost
Loan payable	Other financial liabilities	Amortized cost
Convertible loan payable	Other financial liabilities	Amortized cost
Related party loan	Other financial liabilities	Amortized cost
Shareholder loan	Other financial liabilities	Amortized cost

(Unaudited – Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Impairment under IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The ECL model requires considerable judgement, including consideration of how changes in economic factors affect ECLs. The new impairment model is applied at each balance sheet date, to financial assets measured at amortized cost or to those measured at fair value through other comprehensive income. The Company adopted the practical expedient to determine ECL on account receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix and ECL models applied did not have a material impact on Cash and Receivables of the Company.

(g) Recent accounting pronouncements not yet effective

There were no new standards effective March 1, 2018 that had an impact on the Company's condensed interim consolidated financial statements. The following IFRs standards have been recently issued by the IASB. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

(i) IFRS 16 Leases

Issued in January 2016, IFRS which establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

3. Receivables

	May 31, 2018	**February 28, 2018**
	$	**$**
Subscription receivable	575	10,566
GST receivable	442,944	385,104
Other receivable	45,984	-
	489,503	**395,670**

(Unaudited – Expressed in Canadian Dollars)

4. Acquisition of THR

On February 28, 2018, the Company acquired all of the issued and outstanding common shares of THR in exchange for 11,544,388 common shares of Sproutly valued at $0.41 per share, for total consideration of $4,733,199. The transaction was accounted for as a business combination.

THR has applied for a license to produce and sell medical marijuana under the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and currently constructing a production facility in Scarborough, Ontario.

The purchase price was allocated as follows:

	$
Net liabilities acquired	(1,898,733)
Intangible assets – ACMPR license application	6,631,932
Goodwill	1,322,544
Deferred tax liability	(1,322,544)
	4,733,199

Goodwill reflects the deferred income tax liability recognized for all taxable temporary differences. None of the goodwill arising on this acquisition is deductible for tax purposes. The license application is classified as an intangible asset and amortized over the life of THR's facility when the Company receives an ACMPR license from Health Canada and the completion of the THR's facility.

Fair values of the net liabilities acquired include the following:

	$
Cash	12,048
Accounts receivable	357,118
Property and equipment	10,914,333
	11,283,499
Accounts payable and accrued liabilities	(552,009)
Loans payable	(12,630,223)
	(1,898,733)

During the year ended February 28, 2018, acquisition costs of $23,145 were included in the consideration transferred as part of settling THR's accounts payable and accrued liabilities.

As the acquisition occurred at the end of the fiscal year, net losses from THR were excluded in the Company's consolidated statement of loss and comprehensive loss. If the acquisition had been completed on January 17, 2017, the Company estimates it would have recorded an increase of $1,504,688 in net loss for the period ended February 28, 2018.

As at May 31, 2018, the Company has adjusted the purchase price allocation by increasing intangible assets by $431,626, increasing goodwill by $114,508 and increasing deferred tax liability by $114,508, upon the revaluation of loan and interest recorded at the date of acquisition due to circumstances not known at the date of acquisition.

The purchase price allocation related to the acquisition is not finalized and the allocation of the purchase price to the various assets acquired is subject to change.

(Unaudited – Expressed in Canadian Dollars)

5. Property, plant and equipment

	Land	Construction in Progress	Leasehold Improvements	Furnitures & Fixtures	Total
Costs	$	$	$	$	$
Balance, January 17, 2017	-	-	-	-	-
Additions (Note 4)	1,098,550	9,815,783	-	-	10,914,333
Balance, February 28, 2018	1,098,550	9,815,783	-	-	10,914,333
Additions	-	265,209	19,945	2,021	287,175
Balance, May 31, 2018	**1,098,550**	**10,080,992**	**19,945**	**2,021**	**11,201,508**

	Land	Construction in Progress	Leasehold Improvements	Furnitures & Fixtures	Total
Accumulative Depreciation	$	$	$	$	$
Balance, January 17, 2017	-	-	-	-	-
Depreciation	-	-	-	-	-
Balance, February 28, 2018	-	-	-	-	-
Depreciation	-	-	1,330	134	1,464
Balance, May 31, 2018	**-**	**-**	**1,330**	**134**	**1,464**
Net Book Value					
February 28, 2018	**1,098,550**	**9,815,783**	**-**	**-**	**10,914,333**
May 31, 2018	**1,098,550**	**10,080,992**	**18,615**	**1,887**	**11,200,044**

The Company is constructing a 16,600 square foot production facility at THR located at Scarborough, Ontario. As at May 31, 2018, costs related to the construction of this facility were capitalized as construction in progress and not amortized. Amortization will commence when construction is complete and the facility is available for its intended use.

6. Accounts payable and accrued liabilities

	May 31, 2018	February 28, 2018
	$	**$**
Interest payable	632,219	864,981
Trade payables	874,874	768,256
Other payables	131,087	107,359
	1,638,180	**1,740,596**

(Unaudited – Expressed in Canadian Dollars)

7. On-demand loans

On October 16, 2017, the Company entered into an on-demand loan for the principal amount of $100,000. The loan is unsecured, bears no interest and due on demand. The balance was repaid on March 15, 2018.

8. Borrowings

On November 2, 2017, the Company entered into an unsecured term loan for the principal amount of $150,000. The loan began to bear interest at a rate of 10% per annum effective on December 15, 2017 and will continue until full and final payment is received. The loan was received at the same time that an additional $150,000 was received for share subscriptions receivable at $0.35 per share. The difference between the share subscription receivable amount of $0.35 and the average share subscription receivable amount of $0.50 was treated as financing charged and initially offset against the loan. A finance fee of $69,832 was then recorded as an expense to record the loan at its principal amount of $150,000 at February 28, 2018. The balance is outstanding and on due on demand as of May 31, 2018.

9. Loans payable

		May 31, 2018	**February 28, 2018**
		$	**$**
Mortgage payable with 0982244 B.C. Ltd.	(i)	1,750,000	1,446,754
Interest-bearing loan with 2546308 Ontario Inc.	(ii)	3,125,000	3,125,000
Interest-bearing loan with 1053797 B.C. Ltd.	(iii)	-	1,990,628
Related party loan with 1023409 B.C. Ltd.	(iv)	49,000	49,000
		4,924,000	**6,611,382**

(i) On June 24, 2015, THR entered into a secured, non-convertible loan of $3,250,000 with 0982244 B.C. Ltd. The loan has a fixed interest rate of 8.5% per annum compounded semi-annually with share purchase and loan conversion options. Loan is repayable on June 24, 2018. On February 28, 2018, the lender exercised its rights to purchase 2,399,918 of THR's common shares and $1,500,000 of the outstanding loan balance was converted to a shareholder loan with interest of 8.5% per annum compounded semi-annually due on February 28, 2023. The loan was re-measured at fair value using effective interest rate method at an effective interest rate of 19.6% on February 28, 2018 when THR was acquired by the Company.

During the three months ended May 31, 2018, the Company incurred borrowing costs of $41,648 that was capitalized as part of construction in progress and recorded accretion expense of $25,907.

(Unaudited – Expressed in Canadian Dollars)

9. Loans payable (continued)

(ii) On November 22, 2016, THR entered into a secured, fixed interest rate of 8% per annum loan for the principal amount of $3,500,000 with 2546308 Ontario Inc., against which THR drew $3,125,000. The loan is secured by a mortgage with priority of repayment with a convertible feature to convert $131,362 of the loan equivalent to 23.4% of issued and outstanding common shares in THR. The conversion option expired on April 30, 2017 and the interest rate increased to 12% per annum and due on demand.

On April 30, 2018, 2546308 Ontario Inc. assigned $200,000 of interest payable to Sproutly Inc. for 400,000 of Sproutly common shares with a deemed value of $0.50 per share. The fair value of common shares on the date of the assignment was $0.41 per share and the Company recognized a gain on extinguishment of interests of $36,000.

During the three months ended May 31, 2018, the Company incurred borrowing costs of $94,521 that was capitalized as part of construction in progress.

(iii) On November 21, 2016, THR entered into an interest-free loan for the principal amount of $2,075,000 with 1053797 B.C. Ltd. This loan was repayable on October 31, 2017. On February 28, 2018, 1053797 B.C. Ltd. converted a portion of the loan into common shares of THR. The remaining balance is $1,990,628 and due on demand with a fixed interest rate of 4% per annum.

On April 10, 2018, 1053797 B.C. Ltd. forgave $36,687 of interest payable from THR and assigned the outstanding loan balance of $1,990,628 and $128,123 of interest payable to Sproutly Inc. for 3,201,513 of Sproutly common shares with a deemed value of $0.622 per share. The fair value of common shares on the date of the assignment was $0.41 per share and the Company recognized a gain on extinguishment of interests and loan of $806,131.

(iv) On July 18, 2017, the Company received an unsecured, interest-free, non-convertible loan of $49,000 from 1023409 B.C. Ltd. The loan is due on demand.

10. Convertible loans payable

	(i) $	(ii) $	Total $
Balance, January 17, 2017	-	-	-
Issued	330,000	815,000	1,145,000
Equity portion	(23,024)	(157,855)	(180,879)
Accretion	11,329	3,629	14,958
Balance, February 28, 2018	318,305	660,774	979,079
Issued	-	2,659,000	2,659,000
Equity portion	-	(474,899)	(474,899)
Accretion	11,695	150,016	161,711
Balance, May 31, 2018	**330,000**	**2,994,891**	**3,324,891**

(i) On November 30, 2017, the Company entered into an unsecured, non-interest bearing loan for $330,000. The loan is repayable in full on May 30, 2018. This loan contains a conversion feature. The conversion feature can be exercised by the holder on or before May 30, 2018.

10. Convertible loans payable (continued)

(i) The loan's embedded conversion feature was determined to meet the definition of a compound financial instrument required to assign a fair value to the debt with any residual amount recorded as equity. The conversion feature value has been determined to be $23,024. The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized cost at February 28, 2018 using effective interest rate of 15%.

As at May 31, 2018, the loan and conversion feature has been extended until November 30, 2018.

(ii) The Company entered into convertible debentures with various third parties with $815,000 received as of February 28, 2018 and a further $2,659,000 as of May 31, 2018. Convertible debentures bear non-compounding interest rate of 10% per annum and repayable in full on April 10, 2019. The conversion feature value has been determined to be $157,855 for the $815,000 tranche for the period ended February 28, 2018 and $474,899 for the $2,659,000 tranche for the period ended May 31, 2018. The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized costs at using effective interest rate of 21%.

The conversion feature can be exercised in the following manner:

- Automatic conversion upon acquisition of all issued shares of the Company by Stone Ridge Exploration Inc. ("Stone Ridge") (Note 22).
- The holder shall have the right at any time to convert prior to the maturity date on April 10, 2019.

If the acquisition by Stone Ridge is not completed by July 31, 2018, upon conversion of the debenture, holders will receive an additional 15% of common shares that the holder would otherwise be entitled to upon conversion of the debenture.

11. Related party loan

On July 30, 2014, THR received part of a fixed rate loan at 4% interest from shareholder (Bray Limited Partnership). This principal of the loan is $2,248,525 and loan is repayable in full at the end of the 5-year term on July 30, 2019. The loan is secured by a commercial security agreement against all property of the Company.

The loan was re-measured at fair value using the effective interest rate method at an effective interest rate of 20.2%. The carrying amount of the loan is $1,581,887 as of February 28, 2018.

On April 10, 2018, Bray Limited Partnership forgave $39,919 of interest payable from THR and assigned the outstanding loan balance of $1,619,979 and $245,142 of interest payable to Sproutly Inc. for 5,419,992 of Sproutly common shares with a deemed value of $0.49 per share. The fair value of common shares on the date of the assignment was $0.41 per share and the Company recognized a loss on extinguishment of interests and loan of $357,076.

12. Shareholder loan

On February 28, 2018, $1,500,000 of the outstanding $3,250,000 loan from 0982244 B.C. Ltd. was converted to a shareholder loan (Note 9(i)). The loan has a fixed interest rate of 8.5% per annum compounded semi-annually and matures on February 28, 2023.

Since the interest rate on the loan was determined to be below fair market value, an estimate was completed to determine third party interest rate of approximately 21%. The loan was initially present valued and subsequently recorded at amortized cost using the effective interest rate. As of February 28, 2018, the carrying amount of the loan is $876,587.

During the three months ended May 31, 2018, the Company incurred borrowing costs of $32,137 that was capitalized as part of construction in progress and recorded accretion expense of $11,959.

13. Share capital

(a) Authorized

Unlimited number of Class "A" common shares without par value with voting rights.

(b) Issued and outstanding

As at May 31, 2018, there were 37,979,053 (February 28, 2018 – 28,957,548) issued and fully paid common shares.

(i) On January 17, 2017 on incorporation, the Company issued 9,300,000 shares at $0.005/share for aggregate proceeds of $46,500.

(ii) On April 10, 2017, the Company issued 700,000 shares at $0.005 per share for aggregate proceeds of $3,500.

(iii) From December 19, 2017 to January 31, 2018, the Company issued 7,413,160 Sproutly Units at an average price of $0.478 per Unit, to settle previously share subscriptions received and for new proceeds totaling $3,544,000. Each Sproutly Unit consists of one (1) Sproutly Share and one half (1/2) of a share purchase warrant (the "Sproutly Warrants"). Each whole Sproutly Warrant entitles the holder to acquire one additional Sproutly Share at a price of $1.50 per Sproutly Share for a period of 24 months following the date of issuance of the Sproutly Warrants. A reserve of $567,854 was recognized as equity.

(iv) On February 28, 2018, the Company issued 11,544,388 common shares at a price of $0.41 per share to the shareholders of THR in exchange for all of the issued and outstanding shares of THR (Note 4).

(v) On April 10, 2018, the Company issued 8,621,505 common shares valued at $0.41 per share to 1053797 B.C. Ltd. and Bray Limited Partnership for the assignment of THR loans and interest receivable to Sproutly.

(vi) On April 30, 2018, the Company issued 400,000 common shares valued at $0.41 per share to 2546308 Ontario Inc. for the assignment of $200,000 interest receivable from THR to Sproutly.

(Unaudited – Expressed in Canadian Dollars)

13. Share capital (continued)

(c) Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of warrants outstanding follows:

	Warrants #	Weighted Average Exercise Price $
Balance, January 17, 2017	-	-
Granted	3,706,580	$1.50
Balance, February 28, 2018	3,706,580	$1.50
Granted	830,857	$0.35
Balance, May 31, 2018	**4,537,437**	**$1.29**

For the period ended May 31, 2018, the Company has granted 830,857 finder's warrants to third parties and recognized $231,846 in warrant reserves and financing fees.

The following table summarizes the warrants that remain outstanding as at May 31, 2018:

Exercise Price ($)	Warrants Outstanding (#)	Expiry Date
1.50	216,750	December 19, 2019
1.50	333,330	December 20, 2019
1.50	550,000	December 21, 2019
1.50	52,500	December 22, 2019
1.50	798,500	January 30, 2020
1.50	1,755,500	January 31, 2020
0.35	194,286	March 26, 2020
0.35	415,428	March 28, 2020
0.35	221,143	April 10, 2020
	4,537,437	

The fair value of warrants issued during the period was determine using the following weighted average assumptions at the time of grant using the Black-Scholes option pricing model:

Volatility	137.4%
Expected life	2 years
Risk-free rate	1.68%

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading history and volatility history. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

(Unaudited – Expressed in Canadian Dollars)

14. Share-based compensation

The Company has a stock option plan in place under which it is authorized to grant options of up to 15% of its outstanding shares of the Company to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors.

The expiry date for each option should be for a maximum term of ten years. Stock options granted vest over the period determined by the Board of Directors.

	Stock Options #	Weighted Average Exercise Price $
Balance, January 17, 2017	-	-
Granted	1,500,000	$0.01
Balance, February 28, 2018	1,500,000	$0.01
Granted	2,000,000	$0.50
Balance, May 31, 2018	**3,500,000**	**$0.29**

The following table summarizes the stock options that remain outstanding as at May 31, 2018:

Exercise Price ($)	Options Outstanding (#)	Expiry Date	Options Exercisable (#)
0.01	500,000	March 25, 2027	500,000
0.01	950,000	March 25, 2027	-
0.01	50,000	April 18, 2027	-
0.50	2,000,000	March 15, 2028	-
	3,500,000		**500,000**

During the three months ended May 31, 2018, the Company recorded aggregated share-based payments of $166,357 (2017 - $64,719) for all stock options granted and vested during the period.

The fair value of stock options granted during the period was determine using the following weighted average assumptions at the time of grant using the Black-Scholes option pricing model:

Volatility	148%
Expected life	9-10 years
Risk-free rate	1.22% to 1.40%

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading history and volatility history. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

(Unaudited – Expressed in Canadian Dollars)

15. Related party transactions

(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 quarter ended was as follows:

	May 31, 2018	May 31, 2017
	$	$
Management compensation (i)	189,827	70,083
Share-based payments (ii)	159,175	63,673
	349,002	**133,756**

(i) As of May 31, 2018, the Company owes $86,296 to key management personnel.

(ii) 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 (Note 14).

(b) Loans from related parties

The Company has received loans from Bray Limited Partnership (Shareholder), 1023409 B.C. Ltd. (Shareholder) and on demand loan related to a Director of the Company.

	Note	May 31, 2018	February 28, 2018
		$	$
On-demand loan – Director	7	-	100,000
Loan payable – 1023409 BC Ltd.	9	49,000	49,000
Due to related parties – Bray Limited Partnership	11	-	1,581,887
		49,000	**1,730,887**

16. General and Administration

	May 31, 2018	May 31, 2017
	$	$
Professional fees	638,080	39,500
Office and administration	232,643	1,712
Wages	347,578	80,554
	1,218,301	**121,766**

(Unaudited – Expressed in Canadian Dollars)

17. Finance and other costs

	May 31, 2018	May 31, 2017
	$	$
Accretion expense	237,671	-
Bank charges	3,685	288
Financing fees	231,846	-
Interest expense	17,910	-
	491,112	**288**

18. Financial instruments and risk management

(a) Fair values of financial instruments

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

Cash, receivables, accounts payable and accrued liabilities, on-demand loans and current borrowings approximate their fair value due to their short-term nature. The initial fair value of the convertible loans payable, loan payable and shareholder loan has been measured using Level 3 valuation methods and the following summarizes the key assumptions used to estimate fair value as at May 31, 2018:

Valuation approach	Key inputs	Inter-relationship between inputs and fair value measurement
The liability of the convertible debenture was valued using Company specific interest rates assuming no conversion features existed. The debt component is accreted over the term to maturity as a non-cash interest charge and the initial equity component is $655,778.	Discount rate – 21% per annum.	As the discount rate decreases, the fair value increases.

A 10 basis point change in the discount rate would have increased/decreased the fair value by $6,000.

18. Financial instruments and risk management (continued)

(b) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Advances receivables comprises loans advanced to third parties that are due on demand, unsecured and bear no interest. As the Company does not obtain collateral or security to support these advances, there is a risk that the Company will not collect on these advances. Should the Company not collect on these advances, it would have a significant effect on the Company.

(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. There can be no assurance of continued access to significant equity funding, see Note 1. As at May 31, 2018, the Company had current assets of $2,405,009 to settle current liabilities of $10,037,071.

(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 loan.

19. Capital Management

In the management of capital, the Company includes components of shareholders' equity. The Company aims to manage its capital resources to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and to maximize its financial flexibility by maintaining strong liquidity and by utilizing alternative sources of capital including equity, debt and bank loans or lines of credit to fund continued growth. The Company sets the amount of capital in proportion to risk and based on the availability of funding sources. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Additional debt and/or equity financing may be pursued in future as deemed appropriate to balance debt and equity. To maintain or adjust the capital structure, the Company may issue new shares, take on additional debt or sell assets to reduce debt. The Company is not subject to externally imposed capital requirements.

(Unaudited – Expressed in Canadian Dollars)

20. Commitments

On August 1, 2017 the Company entered into a two year office lease agreement at 1050 – 1095 West Pender St, Vancouver British Columbia for monthly payments of $16,317 expiring on July 31, 2019.

Future lease payments of the remaining lease is $228,438.

	$
2019	146,853
2020	81,585
	228,438

21. Income tax

The Company's tax charge, which relates fully to deferred taxes, differs from the amount obtained by applying the Canadian statutory tax rate due to the following:

	May 31, 2018 **$**	**May 31, 2017** **$**
Loss before taxes	(1,472,715)	(186,773)
Canadian provincial statutory tax rate	11.91%	12.00%
Expected income tax recovery	(175,435)	(22,413)
Non-deductible items	22,166	-
Equity portion of convertible loans	(75,914)	-
Change in tax rates	(121,935)	-
Share issuance costs	-	(7,766)
Other	-	-
Change in deferred tax asset not recognized	351,118	30,179
Total income tax expense	-	-

The unrecognized deductible temporary differences as at May 31, 2018 are comprised of the following:

	May 31, 2018 **$**	**February 28, 2018** **$**
Non-capital losses carryforwards	7,145,940	6,261,565
Total unrecognized deductible temporary difference	**7,145,940**	**6,261,565**

The Company has non-capital loss carryforwards of approximately $7,145,940 which may be carried forward to apply against future income for Canadian income tax purposes, subject to final determination by taxation authorities expiring in 2039.

As part of the THR acquisition, the Company has incurred a deferred tax liability of $1,322,544 due to the recognition of the ACMPR license.

(Unaudited – Expressed in Canadian Dollars)

21. Income tax (continued)

	May 31, 2018 $
Non-capital loss carryforwards	1,907,967
Intangible assets	(1,757,462)
Loans payable	(589,374)
Convertible loan payable	(129,735)
Property, plant and equipment	(3,160)
Financing costs	74,962
	(496,802)
Deferred tax assets not recognized	(825,742)
Net deferred tax liability	**(1,322,544)**

22. Subsequent Events

On June 8, 2018, THR, a wholly owned subsidiary of the Company officially became a Canadian licensed commercial producer of cannabis under the ACMPR upon receiving a cultivation license from Health Canada (Note 1).

On June 13, 2018, the unsecured, non-interest convertible debenture of $330,000 was converted into Sproutly shares (Note 10).

On July 6, 2018 the Company has completed the reverse takeover ("RTO") of Stone Ridge Exploration Corp. ("Stone Ridge") with the latter acquired all issued shares of Sproutly in exchange for 103,389,522 shares.

In addition, the following appointments were made for officers of the Company after the RTO:

Keith Dolo	President and Chief Executive Officer
Craig Loverock	Chief Financial Officer
Karin Studer	Chief Operating Officer

On July 6, 2018, the Board approved and granted 3,100,000 options to directors, officers and employees of the Company.

On July 9, 2018, the Company was listed on the Exchange under the symbol "SPR".