

ANNUAL INFORMATION FORM



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For the year ended February 28, 2018

Dated November 1, 2018

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EXPLANATORY NOTES AND CAUTIONARY STATEMENTS

In this annual information form (this “AIF” or “Annual Information Form”), unless the context otherwise requires, the “Company” or “Sproutly” refers to Sproutly Canada, Inc. This AIF applies to the business activities and operations of the Company for the year ended February 28, 2018. Unless otherwise indicated, the information in this AIF is given as of November 1, 2018. Except as otherwise indicated in this AIF, references to “Canadian dollars” or “\$” are to the currency of Canada.

This AIF contains company names, product names, trade names, trademarks and service marks of the Company and other organizations, all of which are the property of their respective owners.

Cautionary Statement Regarding Forward-Looking Statements

This AIF 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 AIF 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 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;
- 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 's prospects and business strategy; and
- the risks described in the section of this AIF 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 AIF, 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 AIF. 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.

DEFINITIONS AND GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF, including the summary that follows. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. Certain additional terms are defined within the body of this AIF and in such cases will have the meanings ascribed thereto.

ACMPR	The <i>Access to Cannabis for Medical Purposes Regulations</i> (Canada), as amended.
AIF	This Annual Information Form.
APP Technology	The Aqueous Phytorecovery Process, the Cannabis extraction technology acquired in the acquisition of Infusion Biosciences Canada.
Arrangement	The plan of arrangement under section 192 of the CBCA involving Sproutly Sub, Stone Ridge and the shareholders of Sproutly Sub and any amendments or variations thereto made in accordance with its terms, pursuant to which Stone Ridge acquired all of the issued and outstanding shares of Sproutly Sub.
Arrangement Agreement	The amended and restated arrangement agreement dated March 20, 2018 between Stone Ridge and Sproutly Sub.
BCBCA	The <i>Business Corporations Act</i> (British Columbia).
Board	The board of directors of Sproutly.
Cannabis Act	The <i>Cannabis Act</i> (Canada), S.C. 2018, c. C-26, which received Royal Assent on June 21, 2018 and was proclaimed into law on October 17, 2018, as may be amended from time to time.
Cannabis Regulations	The <i>Cannabis Regulations</i> , which came into force on October 17, 2018 (including any successor regulations or legislation governing the possession, sale, manufacture and cultivation of cannabis) and which replace the ACMPR.
CBCA	The <i>Canada Business Corporations Act</i> .
CBD	Cannabidiol.
CDSA	The <i>Controlled Drugs and Substances Act</i> , S.C. 1996 c. 19, as amended, including the regulations promulgated thereunder.
Consolidation	The consolidation of the issued and outstanding Stone Ridge Shares on the basis of two (2) pre-Consolidation Stone Ridge Shares for one (1) post-Consolidation Stone Ridge Share.
CSE	The Canadian Securities Exchange.
Exchange Act	The United States <i>Securities Exchange Act of 1934</i> , as amended.
Option Plan	Has the meaning ascribed thereto under the heading “ <i>Description of Capital Structure – Options</i> ”.
Registrar	The British Columbia Registrar of Companies appointed under the BCBCA.
Securities Legislation	The securities legislation of each of the provinces and territories of Canada and the Exchange Act and U.S. Securities Act each as now enacted or as amended and the applicable rules, regulations, rulings, orders, instruments and forms made or promulgated under such statutes, as well as the rules, regulations, by-laws and policies of the CSE.

SEDAR	System for Electronic Document Analysis and Retrieval.
Sproutly (or the "Company")	Sproutly Canada, Inc., a corporation incorporated under the BCBCA.
Sproutly Options	The options to purchase Sproutly Shares outstanding under the Option Plan.
Sproutly Shares	The common shares in the capital of Sproutly.
Sproutly Sub	Sproutly, Inc., a corporation incorporated under the CBCA.
Sproutly Warrants	Means a common share purchase warrant of Sproutly entitling the holder to purchase one Sproutly Share.
Stone Ridge	Stone Ridge Exploration Corp., a corporation incorporated under the laws of British Columbia.
Stone Ridge Shares	The common shares in the capital of Stone Ridge.
THC	Tetrahydrocannabinol.
THR	Toronto Herbal Remedies Inc., a corporation incorporated under the laws of Ontario.
THR Acquisition	The acquisition by Sproutly Sub of 100% of the issued and outstanding common shares of THR on February 28, 2018.
THR Facility	The secured site facility located in the Greater Toronto Area owned by THR for the proposed purposes of the production and storage of medical cannabis.
TSX Trust	TSX Trust Company, the Registrar and transfer agent for the Sproutly Shares.
U.S. Securities Act	The United States <i>Securities Act of 1933</i> , as amended.
United States	The United States of America, its territories and possessions, any state of the United States and the District of Columbia.

CORPORATE STRUCTURE

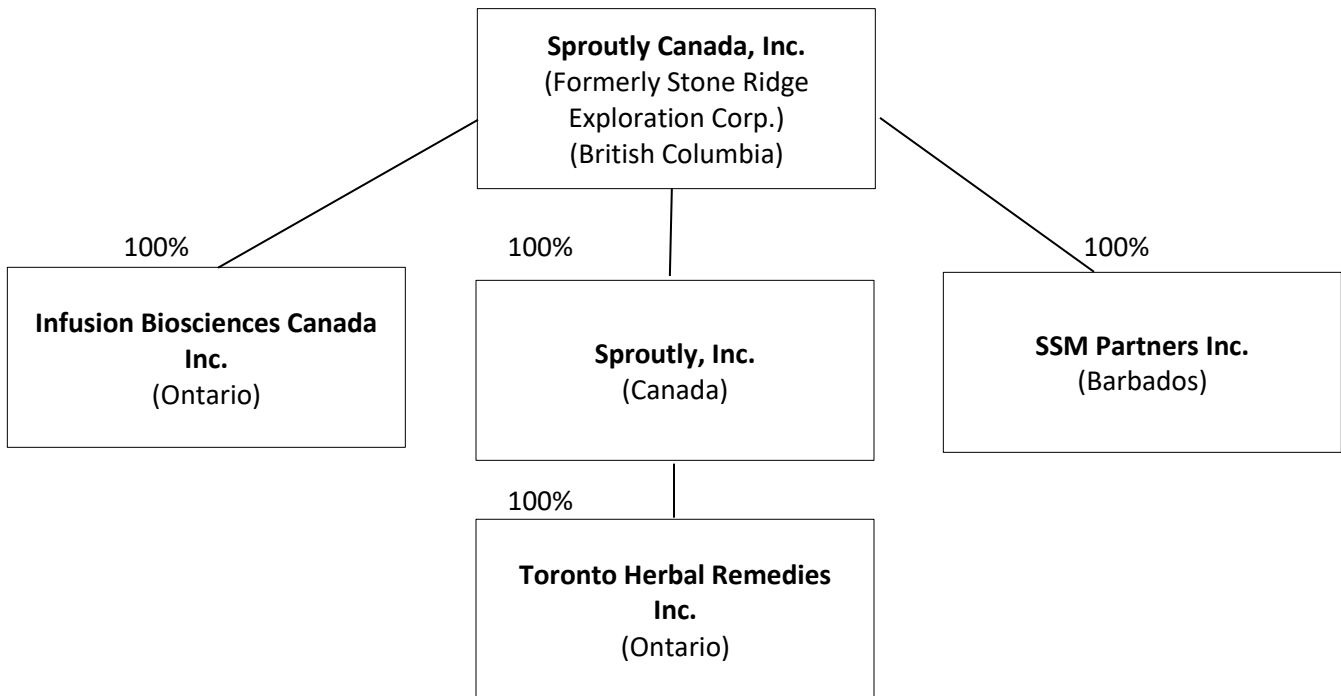
Sproutly was incorporated as “Stone Ridge Exploration Corp.” on January 26, 2012, pursuant to the BCBCA. On July 6, 2018, the Company closed a plan of arrangement under the CBCA pursuant to which, among other things, Sproutly, Inc. completed a reverse takeover of Stone Ridge (now, “Sproutly Canada, Inc.”).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

The Arrangement constituted a “fundamental change” (as such term is defined in the CSE Policies) and the Sproutly Shares began trading on the CSE on July 9, 2018 under the trading symbol “SPR”. Sproutly is also quoted on the Frankfurt, Berlin and Munich exchanges under the symbol “38G”.

The head office of the Company is located at #1050 - 1095 W. Pender Street, Vancouver, BC V6E 2M6 and the registered office is located at 10th Floor, 595 Howe Street, Vancouver, BC V6C 2T5.

Organization Chart

As of the date hereof, the Company has three wholly owned direct subsidiaries and one wholly owned direct subsidiary, which is reflected in the organization chart below:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Prior to completion of the Arrangement, Stone Ridge had been engaged in the business of mineral exploration in British Columbia. Its objective was to locate and develop economic precious and base metals properties of merit.

Stone Ridge entered into the property option agreement dated January 26, 2012 (the “**Property Option Agreement**”) with KGE Management Ltd. and John Chapman (collectively, the “**Optionors**”), whereunder Stone Ridge was granted an irrevocable and exclusive option to acquire a 100% interest in the Hanson Property, consisting of two (2) contiguous mineral claims comprising an aggregate 3,554.8 hectares, located in the Omineca Mining Division, British Columbia, Canada. The terms of the Property Option Agreement were amended on February 25, 2012, August 1, 2013, September 19, 2014, February 23, 2015, July 23, 2015, November 13, 2015, January 14, 2016 and April 24, 2017.

To exercise its option to acquire a 100% interest in the Hanson Property, pursuant to the terms of the Property Option Agreement, Stone Ridge agreed to pay an aggregate \$161,220 and to issue an aggregate 630,000 Stone Ridge Shares to the Optionors and incur an aggregate minimum \$2,600,000 in exploration expenditures on the Hanson Property in stages over a period of four years. In 2017, Stone Ridge terminated the Property Option Agreement and wrote off all of its investment in the Hanson Property.

On November 23, 2017, Stone Ridge announced a letter of intent to acquire Sproutly, Inc. in a reverse takeover transaction which would result in Stone Ridge acquiring all of the issued and outstanding shares of Sproutly, Inc.

On February 8, 2018, Sproutly Sub and Stone Ridge announced the signing of the definitive arrangement agreement (the “**Original Arrangement Agreement**”) with respect to the previously announced reverse takeover transaction. On March 20, 2018, Sproutly Sub and Stone Ridge entered into the Arrangement Agreement to update the deal terms contained in the Original Arrangement Agreement.

On February 28, 2018, Sproutly Sub completed the acquisition of THR, which has provided the Company with a cannabis production facility located in Toronto.

Subsequent to Year Ended February 28, 2018

On June 8, 2018, THR received its licence from Health Canada to produce marijuana for medical purposes under the ACMPR and is currently progressing through the cultivation phase and working towards its sales licence (see “*Risk Factors – Licensing Requirements under the Cannabis Regulations*”).

On July 6, 2018, the Company closed the Arrangement pursuant to which Sproutly Sub completed a reverse takeover of Stone Ridge. 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 Sub received approximately two (2) post-Consolidation Stone Ridge Shares in exchange for each common share of Sproutly Sub held by such shareholder immediately prior to the effective time of the Arrangement. As a result of the Arrangement, former shareholders of Sproutly Sub held approximately 84% of the issued and outstanding Sproutly Shares immediately after completion of the Arrangement.

Only July 9, 2018, the Sproutly Shares began trading on the CSE under the symbol “SPR”. Sproutly is also quoted on the Frankfurt, Berlin and Munich exchanges under the symbol “38G” and approved for trading on the OTCQB Venture Market in the United States (“**OTCQB**”) under the symbol “SRUTF”.

On August 1, 2018, the Company acquired all of the issued and outstanding shares of each of Infusion Biosciences Canada Inc. (“**Infusion Biosciences Canada**”) and SSM Partners Inc. (“**SSM**”) (collectively, the “**Acquisition**”). The Acquisition was completed pursuant to: (i) a share purchase agreement dated July 31, 2018 (the “**Infusion Share Purchase Agreement**”) among Sproutly, Infusion Biosciences Canada and Infusion Biosciences Inc. (“**Infusion**”); and (ii) a share purchase agreement dated July 31, 2018 (the “**SSM Share Purchase Agreement**”) among Sproutly, SSM and BNO Holdings Inc. (“**BNO**”).

Pursuant to the Infusion Share Purchase Agreement, Sproutly acquired all of the issued and outstanding shares of Infusion Biosciences Canada in exchange for providing Infusion with the following consideration:

- 36,857,676 Sproutly Shares;
- C\$4,525,000 cash payment, due within 12 months from closing of the Acquisition and subject to adjustments as set forth in the Infusion Share Purchase Agreement; and
- an earn-out of up to an additional 14,743,070 Sproutly Shares upon Sproutly achieving certain milestones as set forth in the Infusion Share Purchase Agreement.

Pursuant to the SSM Share Purchase Agreement, Sproutly acquired all of the issued and outstanding shares of SSM for providing BNO with the following consideration:

- C\$4,975,000 cash payment due within 12 months from closing of the Acquisition or convertible into Sproutly Shares, subject to adjustments and SSM achieving certain milestones as set forth in the SSM Share Purchase Agreement; and
- an earn-out of up to 22,114,605 Sproutly Shares upon Sproutly achieving certain milestones as set forth in the SSM Share Purchase Agreement.

As a result of the Acquisition, Sproutly gains the exclusive rights for APP Technology in Canada, the European Union, Australia, Israel and Jamaica. APP Technology is a patent-pending process that uses proprietary combinations of common dietary ingredients to gently recover naturally water-soluble cannabinoids and the free cannabis oils in natural oils. APP Technology recovers between 85% - 90% of the total bioactive cannabinoids in the plant, distributed between Infuz₂0 and BioNatural Oil. In connection with the Acquisition, Dr. Arup Sen assumed the role of Chief Science Officer of the Company and joined the Board, and Paul Marcellino joined the Company as Business Development Officer. For more information, see “*Material Contracts*”.

On August 22, 2018, Sproutly entered into an exclusive technology license and use agreement (the “**License Agreement**”) with Minnesota State-based Micronutrient Technologies Inc. (“**MTI**”) to utilize its proprietary platform known as Minerals in Solution Technology (“**MiST**”) for use in creating cannabis and hemp-based beverages in select jurisdictions around the world. Under the License Agreement, Sproutly will be granted the exclusive right to utilize MiST and its water-soluble nutritional minerals to produce enhanced water, beverages and soluble nutritional mineral supplements that include a cannabis or hemp component for the recreational and medicinal markets. The license is applicable in Canada, Australia, Jamaica, Israel and all countries that are part of the European Union as of the date of the Licensing Agreement. MiST is a patent-pending technology that produces a 100% water soluble form of multiple minerals (including calcium, magnesium, zinc, potassium, sodium and trace minerals such as copper, iron, manganese, strontium) on the same molecular platform. MiST offers an unprecedented versatility in formulating unique combinations of micronutrients that address the growing consumer needs for health and wellness in modern lifestyle. MiST produces stand-alone or custom blends of minerals with other micronutrients in water solutions that will fortify a beverage in a single manufacturing step and has proven to be shelf stable in beverages for at least 2 years. The license provides Sproutly with the know-how developed over a decade in designing innovative beverages with multiple nutrients, including nutritional minerals, which are essential for health and wellness.

Pursuant to the License Agreement, MTI is entitled to a royalty between 1.5% to 3.0% of net sales received by Sproutly and/or its affiliates from products that utilize the licensed rights until the termination of the License Agreement.

On October 12, 2018, the Company announced that the Sproutly Shares were upgraded and approved for trading on the OTCQB under the symbol “SRUTF”. The OTCQB in the United States is similar to the CSE in Canada

for early stage and developing international companies. To be eligible for the OTCQB, companies must be current in their financial reporting, pass a minimum bid price test and undergo an annual company verification and management certification process.

On October 12, 2018, the Company announced that it had been added to the Canadian Securities Exchange's CSE 25 Index (the "**CSE 25 Index**"). The CSE 25 Index includes the top twenty-five securities by market capitalization contained in the CSE's composite index.

On October 24, 2018, the Company announced the closing of a bought deal offering (the "**Offering**"), pursuant to which the Company issued 10,750 convertible debenture special warrants of the Company (the "**CD Special Warrants**") and 15,400,000 equity special warrants of the Company (the "**Equity Special Warrants**") for aggregate gross proceeds of approximately \$20.7 million. The CD Special Warrants were issued at a price of \$1,000 per CD Special Warrant, while the Equity Special Warrants were issued at a price of \$0.65 per Equity Special Warrant. The Offering was led by Canaccord Genuity Corp., on behalf of a syndicate of underwriters that included Haywood Securities Inc. and Eight Capital (collectively, the "**Underwriters**"). The Offering was completed pursuant to the terms of an underwriting agreement dated October 24, 2018 among the Company and the Underwriters (the "**Underwriting Agreement**").

Each CD Special Warrant and Equity Special Warrant will be automatically exercised, without payment of additional consideration, on the earlier of: (i) the Qualification Deadline (as defined below); and (ii) the third business day after the Prospectus Qualification (as defined below). The holders of CD Special Warrants will receive, upon such deemed exercise and for no additional consideration, one convertible debenture unit of the Company (the "**CD Units**") for each CD Special Warrant held. Each CD Unit will be comprised of one \$1,000 principal amount 8% senior unsecured convertible debenture of the Company (each, a "**Convertible Debenture**") and 667 Sproutly Warrants, with each such Sproutly Warrant entitling the holder thereof to purchase a Sproutly Share at an exercise price of \$0.90 per Sproutly Share for a period of 24 months from the date of closing of the Offering. The holders of Equity Special Warrants will receive, upon such deemed exercise and for no additional consideration, one equity unit of the Company (the "**Equity Units**") for each Equity Special Warrant held. Each Equity Unit will be comprised of one Sproutly Share and one-half of one Sproutly Warrant, with each such Sproutly Warrant entitling the holder thereof to purchase Sproutly Share at an exercise price of \$0.90 per Sproutly Share for a period of 24 months from the date of closing of the Offering.

The Convertible Debentures shall bear interest at a rate of 8% per annum from the date of issue, payable semi-annually in arrears on June 30 and December 31 of each year. The Convertible Debentures will have a maturity date of 24 months from the closing date of the Offering (the "**Maturity Date**"). The Convertible Debentures will be convertible at the option of the holder into Sproutly Shares at any time prior to the close of business on the Maturity Date at a conversion price of \$0.75 per Sproutly Share. The Convertible Debentures will be subject to redemption, in whole or in part, by the Company at any time following the date that is 12 months from the date of issuance upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the Convertible Debentures plus all accrued and unpaid interest up to and including the redemption date. Upon a change of control of the Company, holders of the Convertible Debentures will have the right to require the Company to repurchase their Convertible Debentures, in whole or in part, on the date that is 30 days following the change of control, at a price equal to 105% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon (the "**Offer Price**"). If 90% or more of the principal amount of the Convertible Debentures outstanding on the date of the notice of the change of control have been tendered for redemption, the Company will have the right to redeem all of the remaining Convertible Debentures at the Offer Price.

The Company has agreed to use its best efforts to obtain a receipt for a final short form prospectus qualifying the distribution of the CD Units and Equity Units upon exercise of the CD Special Warrants and Equity Special

Warrants respectively (together, the "**Prospectus Qualification**") on or before the date that is 60 days following closing of the Offering (the "**Qualification Deadline**"). If the Prospectus Qualification does not occur before the Qualification Deadline, each holder shall be entitled to receive, without payment of additional consideration, 1.05 CD Units per CD Special Warrant or 1.05 Equity Units per Equity Special Warrant. Until the Prospectus Qualification occurs, securities issued in connection with the Offering will be subject to a 4-month hold period from the date of issue.

In consideration for the services of the Underwriters in connection with the Offering and pursuant to the Underwriting Agreement, the Underwriters were paid a cash commission of \$1,291,950 and were issued: (i) an aggregate of 1,078,000 non-transferable broker equity special warrants of the Company (the "**Broker Equity Special Warrants**"), being an amount equal to 7% of the number of Equity Special Warrants sold pursuant to the Offering; and (ii) an aggregate of 788,333 non-transferable broker convertible debenture special warrants of the Company (the "**Broker CD Special Warrants**"), being an amount equal to 5.5% of the aggregate dollar value of the CD Special Warrants sold pursuant to the Offering, divided by \$0.75.

Each Broker Equity Special Warrant entitles the holder to receive, without the payment of additional consideration and without any further action on the part of the holder, one nontransferable broker equity warrant of the Company (the "**Broker Equity Warrants**"). Each Broker Equity Warrant is exercisable at \$0.65 per Broker Equity Warrant to acquire one equity compensation unit (each, a "**Broker Warrant Unit**") for a period of 2 years following the closing of the Offering. Each Broker Warrant Unit shall be comprised of one Sproutly Share and one-half of one Sproutly Warrant.

Each Broker CD Special Warrant entitles the holder to receive, without the payment of additional consideration and without any further action on the part of the holder, one non-transferable broker convertible debenture warrant of the Company (the "**Broker CD Warrants**"). Each Broker CD Warrant is exercisable at \$0.75 per Broker CD Warrant to acquire one convertible compensation unit (each, a "Broker CD Unit") for a period of 2 years following the closing of the Offering. Each Broker CD Unit shall be comprised of one Sproutly Share and one-half of one Sproutly Warrant.

Business Outlook for the Upcoming Year

A limited number of non-combustible cannabis products (including edible oils and capsules) will be legalized in October 2018. Sproutly intends to get a limited number of products to market within these categories shortly after legalization while building out product lines in anticipation of the broader legalization of cannabis edibles including beverages. With the broader legalization of edibles estimated to come in to effect in October 2019, Sproutly is focused on the development of multiple beverage products using its patent-pending Infuz₂O water-soluble cannabis product. Beverage products will be developed both on a proprietary basis as well as within strategic partnerships and joint ventures. Sproutly will also be developing products using its oil-based Bio-Natural Oil (BNO) which will include sublingual sprays, traditional edibles, oil-based health products and topicals. Sproutly is currently in the process of submitting to Health Canada an addition of activity to process and sell cannabis oils at its THR Facility.

DESCRIPTION OF THE BUSINESS

Summary

Sproutly Canada, Inc., through its wholly owned subsidiary Sproutly, Inc., started as a Vancouver based privately-owned company incorporated under the CBCA on January 17, 2017. Sproutly's objective is to capitalize on the growing medicinal and legal recreational cannabis markets in Canada as well as other global jurisdictions that are legally regulated for Cannabis sales both medically and recreationally. Sproutly'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 APP Technology. Sproutly will be working with partners to formulate, brand and distribute cannabis-infused beverages and other CPG products to the market as well as developing a proprietary line of consumable products.

Once Sproutly has obtained its licence to sell from Health Canada, Sproutly intends to distribute its products through other licensed producers who have obtained a dealer's licence and to distribute its product through the distribution channels permitted in the recreational cannabis market.

Regulations

The market for cannabis in Canada is now regulated under the Cannabis Act, the Cannabis Regulations and other applicable law. Health Canada is the primary regulator of the industry as a whole. The Cannabis Act and the Cannabis Regulations came into force on October 17, 2018, with the Cannabis Act amending the CDSA and the Cannabis Regulations replacing the ACMPR.

Access to Cannabis for Medical Purposes

The Cannabis Regulations are the current governing regulations regarding the production, sale and distribution of cannabis and cannabis oil extracts for medical purposes in Canada. The medical access regulatory framework under the Cannabis Regulations will remain substantively the same as previously existed under the AMCP, with adjustments to create consistency with rules for recreational use, improve patient access and reduce the risk of abuse within the medical access system.

The Cannabis Regulations provide for three possible alternatives for Canadian residents who have been authorized by their health care practitioner to access cannabis for medical purposes:

- they can continue to access quality-controlled cannabis by registering with licensed producers;
- they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials must be obtained from a licensed producer); or
- they can designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials must be obtained from a licensed producer).

In administering the Cannabis Regulations, Health Canada has two main roles:

- licensing and overseeing the commercial industry; and
- registering and overseeing individuals who produce a limited amount of cannabis for their own medical purposes (or to have another individual produce it on their behalf).

The Cannabis Regulations set out, among other things, the authorized activities and general responsibilities of licensed producers, including:

- the requirement to obtain and maintain a licence from Health Canada prior to commencing any activities;
- calculating the quantity of cannabis, other than dried cannabis, that is equivalent to a given quantity of dried cannabis;
- security measures relating to facilities and personnel;
- good production practices;
- packaging, shipping, labelling, import and export and record-keeping requirements; and

- patient registration and ordering requirements.

Health Canada requires rigorous testing of cannabis products and derivatives provided by licensed producers. A licensed producer is subject to a wide variety of compliance and enforcement activities conducted by Health Canada after it has received its licence. For instance, Health Canada will typically perform unannounced inspections on a licensed producer's facility to ensure adequate security measures and production practices are in place.

Legalization of Recreational Cannabis in Canada

In connection with the current Government of Canada's platform advocating for the legalization and regulation of recreational cannabis in order to dismantle the illegal market and restrict access by underage individuals, on April 13, 2017, the Government of Canada released Bill C-45 which enacted the Cannabis Act. The Cannabis Act provides a licensing and permitting scheme for the production, testing, packaging, labeling, sending, delivery, transportation, sale, possession, and disposal of cannabis for recreational purposes. The Cannabis Act maintains separate access to cannabis for medical or scientific purposes, however the transitional provisions of the Cannabis Act provide that every licence issued under the ACMPR that was in force immediately before the day on which the Cannabis Act was proclaimed is deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires.

Pursuant to the Cannabis Act, individuals over the age of 18 will be able to purchase fresh cannabis, dried cannabis, cannabis oil, and cannabis plants or seeds and will be able to possess 30 grams of dried cannabis, or the equivalent amount in fresh cannabis or cannabis oil. The Cannabis Act also permits households to grow a maximum of four plants. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial and municipal governments the authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements, such as increasing the minimum age for purchase and consumption of cannabis.

In connection with the Cannabis Act, the federal government has introduced new penalties under the *Criminal Code* (Canada), including penalties for the illegal sale of cannabis, possession of cannabis over the prescribed limit, production of cannabis beyond personal cultivation limits, taking cannabis across the Canadian border, giving or selling cannabis to a youth and involving a youth to commit a cannabis-related offence.

Provincial and territorial governments in Canada have made varying announcements on the regulatory regimes for the distribution and sale of cannabis for adult-use purposes. For example, Quebec, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and the Northwest Territories have chosen the government regulated model for distribution, whereas Saskatchewan and Newfoundland & Labrador have opted for a private sector approach. Alberta and British Columbia have announced plans to pursue a hybrid approach of public and private sale and distribution. While Ontario had previously committed to a government-regulated model for distribution, on September 27, 2018, the Government of Ontario introduced Bill-36, *An Act to enact a new Act and make amendments to various other Acts respecting the use and sale of cannabis and vapour products in Ontario* ("**Bill-36**"). Bill-36 will, among other things, enact the *Cannabis License Act, 2018*, which will create a licensing scheme for private cannabis retail stores. The Ontario Cannabis Retail Corporation will have the exclusive right to sell cannabis in Ontario online and the exclusive right to sell cannabis in Ontario to a holder of a retail store authorization for the purposes of resale. The Government of Ontario has indicated that the private retail model will launch by April 1, 2019 with the Ontario Cannabis Retail Corporation offering online sales of recreational cannabis in the interim.

The federal regulatory regime under the Cannabis Act provides for the issuance of cultivation licences for standard cultivation, micro-cultivation, industrial hemp cultivation and nursery cultivation, licences for standard

processing and micro-processing, as well as sales licences for medical or non-medical use. Licences to sell for non-medical use will be limited to provinces where local distribution models have not been implemented. In addition, the federal regulatory regime includes generally less cumbersome personnel and physical security obligations than those which were contemplated under the ACMPR. Further, all cannabis products must be packaged in a tamper-evident and child-resistant manner and for product labels to contain specified product information, such as the name of the processor who packaged the products, product lot number and THC/CBD content. The Cannabis Act itself prohibits testimonials, lifestyle branding and packaging that is appealing to youth.

In addition, federal regulations include packaging and labeling restrictions for cannabis products, aimed to minimize the appeal to children and youth, protect against accidental consumption and ensure consumers are informed of the potential risks and harms of cannabis. Specifically, labeling and branding restrictions require “plain packaging, including a standardized cannabis symbol on every label; mandatory health warning messages (including specifics regarding size, placement and appearance); a limit of only one brand element, aside from the brand name; no other image or graphic; backgrounds need to be a single, uniform colour; use of fluorescent or metallic colours is prohibited; labels and packaging cannot have any coating or embossing; and no inserts can be included.

The federal government also announced that the sale of cannabis edible products and concentrates would be authorized no later than 12 months following the coming into force of the Cannabis Act. By that time, regulations would be made to address the specific risks associated with various types of products. The Corporation intends to dedicate additional resources to supply premium vape pens, edible products and beverage products into the adult-use recreation market as soon as lawfully permitted.

The Cannabis Act received Royal Assent on June 21, 2018 and came into force by proclamation on October 17, 2018.

There is no guarantee that the provincial and territorial frameworks supporting the legalization of cannabis for recreational use in Canada will not be amended, revised or revoked. See "*Risk Factors*".

CRA Excise Tax

A federal excise duty is payable by a licensed cannabis producer when the cannabis products they package are delivered to a purchaser (for example, a provincially-authorized distributor/retailer or final consumer). An excise stamp must be present on all cannabis products that have been legally produced and are available for purchase. Only a producer who has obtained a cannabis licence from the Canada Revenue Agency (“CRA”) is able to purchase cannabis excise stamps.

The CRA is responsible for licensing cultivators, producers and packagers of cannabis products and collecting federal duties and taxes. Provincial and territorial governments are responsible for the distribution and retail sale of cannabis.

Cultivators, producers and packagers of cannabis products are required to obtain a cannabis licence from the CRA before production. In order to qualify for a CRA cannabis licence, applicants are also required to obtain a licence from Health Canada.

Once licensed, they are required to:

1. Purchase and apply cannabis excise stamps to their products (if they package cannabis products)
2. Calculate the duty on their sales

3. File their return and remit excise duty to the CRA

Sproutly has submitted its application for and received the CRA cannabis licence prior to the filing deadline of October 17, 2018. Failure to comply with the CRA cannabis licensing program can result in a revocation of licence from Health Canada.

Licensed Producers

The Cannabis Regulations are based upon the production of medical marijuana (a) by government licensed producers to sell to patients; and (b) by registered individuals, in limited amounts, for personal use. The Cannabis Regulations require for licensed producers to adhere to a strict regime with respect to quality control. Licensed producers must accurately label the active ingredient content of the product and must ensure that the product does not contain unacceptable levels of contaminants as specified under the *Food and Drug Act*. Production facilities must ensure “good production practices” and employees must follow “standard operating procedures” with respect to production (i.e. sanitation, standardization and processes) and processing (i.e. packaging, record keeping, safety and security). Finished products must be labeled and packaged in accordance with Part 7 of the Cannabis Regulations and must be stored securely.

Any applicant seeking to become a licensed producer under the Cannabis Regulations is subject to stringent Health Canada licensing requirements. The below table provides a general overview of the licensing process as described by Health Canada.

Stage	Overview
Stage 1	<u>Intake and Initial Screening</u> : When an application is received, it undergoes an assessment for completeness. If an application appears to be complete, it will be assigned an application number. The application number means that the application has completed the assessment. The Initial Screening includes an assessment of: 1) the proposed business plan; 2) the Security Clearance Application Form; and, 3) record-keeping methods pertaining to security, Good Production Practices, inventory and destruction methods. Health Canada will also verify that applicants have provided notices to the senior officials with the local government where their proposed site is located.
Stage 2	<u>Detailed Review and Initiation of Security Clearance Process</u> : All information submitted to Health Canada and any other relevant information, is reviewed to: 1) complete the assessment of the application to ensure that it meets the requirements of the Narcotic Control Regulations; 2) establish that the issuance of the licence is not likely to create risks to public health, safety or security, including the risk of cannabis being diverted to an illicit market or use; and 3) establish that there are no other grounds for refusing the application. An application will be thoroughly reviewed to ensure that the level of detail included in the application is sufficient to assess the requirements of the Cannabis Regulations and validate the information provided. Consideration is also given to the proposed security measures including those required under the Cannabis Regulations and the description of the storage area for cannabis as required by the <i>Directive on Physical Security Requirements for Controlled Substances (Security Requirements for Licensed Dealers for the Storage of Controlled Substances)</i> ; the credentials of the proposed quality assurance person to meet the good production requirements outlined in Part 5 of the Cannabis Regulations and the details listed in the quality assurance report relating to premises,

equipment and sanitation program. Physical security plans will be reviewed and assessed in detail at this stage. While the application is in the Detailed Review stage, the security clearance forms for key personnel will be sent for processing.

Stage 3 Issuance of Licence to Produce: Once Health Canada confirms that the requirements of the Cannabis Regulations have been met and the application successfully completes the Detailed Review and Security Clearance stage, a licence to produce will be issued.

Stage 4 Introductory Inspection: As part of the Terms and Conditions on their licence, a licensed producer is required to notify Health Canada as cultivation begins. Once notified, Health Canada will schedule an initial inspection to verify that the licensed producer is meeting the requirements of the Cannabis Regulations including, but not limited to, the physical security requirements for the site, record-keeping practices and Good Production Practices and to confirm that the activities being conducted by the licensed producer correspond to those indicated on their licence. Before being authorized for the activity of sale, the licensed producer must undergo a Pre-Sale Inspection by Health Canada to verify that they are in full compliance with all requirements of the Cannabis Regulations, with a focus on good production practices.

Stage 5 Pre-Sales Inspection: If a licensed producer wishes to add the activity of sale to their existing licence, an amendment application must be submitted to the Office of Medical Cannabis. Health Canada will then schedule an inspection to verify that the licensed producer is meeting the requirements of the Cannabis Regulations including, but not limited to, Good Production Practices, packaging, labelling, shipping and record keeping prior to allowing the sale or provision of product.

Stage 6 Issuance of Licence to Sell: To complete the assessment of the requirements of the Cannabis Regulations and establish that adding the activity of sale of cannabis products is not likely to create a risk to public health, safety or security and to confirm that there are no other grounds for refusing the amendment application, the following information is reviewed: 1) results of the pre-sale inspection; 2) information submitted in the amendment application to add the activity of sale to the licence; and 3) any other relevant information. When the review is completed, an amended licence, including the activity of sale, is issued to the licensed producer. The licensed producer may now begin supplying cannabis products to registered clients, other licensed producers and/or other parties permitted under the Cannabis Regulations.

Sproutly has obtained its Licence to Produce from Health Canada.

Market Sector

According to the Statistics Canada website, on an annualized basis Canadians spent \$5.7 billion on cannabis products in the second quarter of 2018. Of this, 84.8% or \$4.8 billion was purchased illegally for non-medical use. Expenditures on cannabis for medical purposes reached \$784 million, accounting for 13.8% of total expenditures. This includes \$52 million of personal production of cannabis for medical use. Cannabis consumption for medical use has more than tripled since the second quarter of 2016.

According to a report by Deloitte¹, the total cannabis market in Canada, including medical, illegal and legal recreational products, is expected to generate up to \$7.17 billion in sales in 2019—up to \$4.34 billion of which will come from the legal recreational market. The report also highlighted that they expect approximately a third of all Canadian cannabis customers to consume cannabis-based beverages.

Operations

Upon closing of the THR Acquisition, Sproutly's THR Facility, via its wholly-owned subsidiary THR, will be located approximately 8 km from downtown Toronto. Management believes that this close proximity to downtown Toronto offers Sproutly strategic advantages in servicing cannabis users in Toronto which has a population of 6.4 million.

Sproutly owns the land and building where the THR Facility is located. The THR Facility is approximately 16,600 square feet and has been retrofitted for cost-effective production of ultra-premium cannabis. The THR Facility contains 12 closed-loop production pharmaceutical-grade grow rooms with state-of-the-art HVAC, lighting, watering and control systems. THR has implemented a fully automated nutrient and water delivery system. The grow rooms are environmentally controlled to maintain ideal conditions for cultivation. Pest control is managed through various systems including UV air sterilization, closed-loop humidity and temperature control and air showers. The facility has implemented good production practices to ensure the highest quality standards for production.

The THR Facility has been equipped with an 'oversize' level 9 vault with capacity for up to \$32 million of cannabis product on hand at any one time. Management believes the 'oversize' vault along with the THR Facility's close proximity to downtown Toronto provides a unique opportunity to implement a distribution model with fast, cost-effective and consumer-responsive delivery for medicinal cannabis users in Toronto.

Specialized Skills and Knowledge

Employees

As of the date hereof, Sproutly employs approximately 15 full-time employees and 3 full-time contractors working in areas including operations, quality assurance and marketing, accounting and administration. Sproutly also employs consultants as required from time to time.

Specialized Skills and Knowledge

Shirin Arabi is Sproutly's Designated Quality Assurance Person, a designation assigned to her by Health Canada. As Sproutly's Designated Quality Assurance Person, Shirin Arabi will oversee all aspects of cannabis production, processing and distribution. Shirin Arabi holds a M.Sc. in Agricultural Engineering and Plant Pathology and a B.Sc. in Plant Protection. Mussarat Fatima is a Cannabis Act regulatory and quality assurance consultant and comes to us from Dicentra Inc. in Toronto where she has been instrumental in putting through new licensed producer applications, quality assurance reporting and creating standard operating procedures. She holds a Master of Science from UBC and a diploma certificate specific to Cannabis.

Frank Han is our Head Grower and has over 12 years of experience in the horticulture industry. He previously worked as the Master Grower in a large commercial facility where he was in charge of all growing methods, techniques and procedures. He brings with him a wealth of knowledge in cloning, nutrient and overall plant management. Frank is in charge of the production team at Toronto Herbal Remedies.

¹ Deloitte, "A Society in Transition, an Industry Ready to Bloom", 2018 Cannabis Report.

Dr. Arup Sen is the Chief Science Officer of Sproutly Canada, Inc. Dr. Sen's business career started in the biotechnology and biopharmaceutical industry in 1982. He has managed R&D, intellectual property strategy and corporate development (negotiating and managing licences and joint ventures) with domestic and international companies (J&J, Biomet, GCC and Tokuyama Soda of Japan, Sandoz/Novartis and others). He also has taken three companies from start-up through public trading and has served as the CEO of public and private companies. He received his Ph.D. in biochemistry from Princeton University. He is an inventor on a number of US patents and numerous international patents and pending patent applications in the fields of cancer therapeutics, bone repair biologics, medical therapeutic devices and molecular diagnostics.

Principal Products

Sproutly's principal business will be the sale of unique oil products that will be legal under the Cannabis Act framework in 2019 and to also become a leader in the beverage and edible space once it becomes legal in Canada and other global legal jurisdictions. Sproutly is currently in the process of submitting to Health Canada an addition of activity to process and sell cannabis oils at the THR Facility.

Sproutly intends to be producing and selling multiple Bio Natural Oil products as well as its proprietary Infuz₂O, water soluble cannabis solution, which it is able to produce from its APP Technology. Pricing of Sproutly's products will be established in response to market conditions.

Cannabis holds a new opportunity for beverage companies looking for the next trend in consumer tastes, especially as legalization spreads among states and new marijuana users look for more social ways to consume. On August 1, 2018, Molson Coors Canada, the Canadian business unit of Molson Coors Brewing Company and The Hydropharmacy Corporation announced that they have entered into a definitive agreement to form a joint venture to pursue opportunities to develop non-alcoholic, cannabis-infused beverages for the Canadian market following legalization. On August 15, 2018, Constellation Brands announced it was investing \$5 billion to increase its stake in Canopy Growth Corp, which is the largest strategic investment in the cannabis space to date. Fulfillment will generally be completed through the delivery facilities of Canada Post and the private courier industry.

Competition

Health Canada publishes a list of approved licences granted for the production of medical marijuana. However, Health Canada does not publish a list of applications in process. As of August 17, 2018, Health Canada had granted 115 licences for the production of medical marijuana, 62 in Ontario, 25 in British Columbia and 28 elsewhere in Canada. As of May 25, 2017, Health Canada disclosed that it has received 1,665 applications to become a licensed producer, of which 265 have been refused, 69 have been withdrawn, 858 have been returned and 428 are in progress.

The following table outlines the marketplace for Cannabis beverages currently in select U.S. markets where they are legally available:

SELECT CANNABIS BEVERAGES IN THE U.S. MARKET



Product Name	Legal	Cannabis Quencher	Dixie Elixirs	Ripple (Stillwater Brands)	Lagunitas Hi-Fi Hops	Infuz ₂ 0
Onset Time	45 minutes	30-60 minutes	30 - 120 minutes	20 minutes	30 minutes	5 minutes
Offset Time	4-6 hours	6 hours	4-6 hours	4 hours	4-6 hours	1.5 hours
Technology	Emulsified Oil Extract	Emulsified Oil Extract	Emulsified Oil Extract	Dehydrated & Emulsified Oil Extract	Emulsified Oil Extract	Naturally Water-Soluble Cannabinoids
Cannabis Ingredients	100mg THC	25mg THC	100mg THC	100mg THC	10mg THC	Flexible
ml per Bottle	326ml	473ml	250ml	N/A	355ml	Flexible
THC/CBD per ml	0.31mg	0.05mg	0.40mg	N/A	N/A	Flexible
Other Ingredients	Carbonated Water, Cherry Concentrate, Apple Juice Concentrate, Agave Nectar, Lemon Juice, Cherry Essence, Coconut Oil, Cherry Extract, Quilaja Extract, Potassium Sorbate	Purified Water, Organic Erythritol, Organic and Natural Flavor, Organic Black Raspberry Juice Concentrate, Citric Acid, Cannabis Extract, Acacia Gum, Sodium Benzoate, Stevia, Potassium Sorbate	Carbonated Water, Pure Cane Sugar, Natural Flavors, Citric Acid, Gum Arabic, Guar Gum, Natural Red Color, THC Oil, Potassium Sorbate, Quilaja Extract	Dissolvable cannabinoid powder (THC distillate, sorbitol, coconut oil)	Carbonated Water, Dried Hops, Food-Grade Lactic Acid, Liquid Stevia Leaf Extract, Nutritional Brewers Yeast, Olive Oil, Natural Flavours	Flexible
Price (USD)	\$36.00	\$16.00	\$22.95	\$33.00	\$8.00	TBD
Price per 10mg Serving	\$3.60	\$6.40	\$2.30	\$3.30	\$8.00	TBD

Acquisitions

THR Acquisition

The THR Facility was acquired by Sproutly Sub on February 28, 2018.

THR has been in development since 2014 and submitted its evidence package to Health Canada on March 14 for review. Due to the complexity of retro fitting an existing 16,600 sq ft building to meet Health Canada’s acceptable standard, the construction was handled by Brad Daniels and Associates, an experienced general contracting firm located in the Greater Toronto Area. There were no revenues during the construction phase and the building costs together with the multi layered city approval process were handled by the general contractor. The construction plans were upgraded midway to include a state-of-the-art closed loop system, a level 9 vault with the capacity to hold up to \$32 million in pharmaceutical products and completed with a state of the art testing laboratory. While THR is Sproutly’s first wholly owned cannabis facility operating under a Canadian licence under the Cannabis Regulations, the Sproutly management team has been involved in the design, build and completion of the THR facility since 2014, playing an active role in the management of the facility during the entire build process.

As a key stakeholder, Sproutly has spent considerable time and money on the THR business and acquisition. From working together with security experts to employing Good Production Practices through its three hundred standard operating Procedures, the Sproutly management team has been hands on in getting the facility ready for the cultivation of cannabis.

Sproutly is confident that the strategic geographic location of this state-of-the-art facility in the proximity of the largest cannabis market in Canada will provide them an unmatched ability to deliver to the medical patient market. Within the GTA, Sproutly will carve out a niche for their boutique business model of high quality and reliable production of unique CBD strains.

The completion of the acquisition of THR allows Sproutly to fully operate as a Canadian licensed producer of Cannabis and apply for subsequent licences within the Cannabis Regulations. Both the completion of the facility as well as the acquisition of THR are both great milestones in the Company's progress.

Once it receives its sales licence, THR will become a revenue generating entity for the first time since its application was submitted to Health Canada.

Infusion Acquisition

On August 1, 2018, Sproutly completed the acquisition of all of the issued and outstanding shares of Infusion Biosciences Canada and SSM. The Acquisition brings together a strategically located premium cultivation facility and a key technological innovation in the cannabis industry. Some key Acquisition highlights are:

- **Significant Discovery and Recovery of Naturally Water Soluble Cannabinoids** – Infusion Biosciences has discovered and produced naturally water soluble bioactive molecules that deliver the full experience of cannabis paralleling the onset and offset profiles of smoking, but avoids the undesirable features that have kept a vast majority of consumers away.
- **Broadens Sproutly's Management Team** – The addition of Dr. Sen and Mr. Marcellino to Sproutly's executive management team provides decades of experience in biopharmaceutical research, development and technology commercialization. Dr. Arup Sen has joined the Board.
- **Positions Sproutly to Become a Leader in Beverages, Edibles and Tinctures** – Sproutly is now positioned to fulfill its mission as a vertically integrated cannabis consumer products company focused on redefining the cannabis industry with a clear focus on beverage and additional consumer products by solving the technological limitations associated with blending oils extracted by traditional means into water.
- **Exclusive Licence for Key Regulated Recreational and Medicinal Jurisdictions** – Sproutly gains the exclusive rights for APP Technology in Canada, the European Union, Australia, Israel and Jamaica.
- **Low Cost, Scalable, Gentle Process to Produce Bioactive Molecules as an Alternative to Current Oil Extraction Methods** – APP Technology is a patent-pending process that uses proprietary combinations of common dietary ingredients to gently recover naturally water-soluble cannabinoids and also the free cannabis oils in natural oils. APP Technology recovers between 85% - 90% of the total bioactive cannabinoids in the plant, distributed between Infuz₂O and Bio-Natural Oil.

Infusion Bioscience Canada, through its licensing agreement with Infusion Biosciences, owns the exclusive rights to utilize APP Technology for recreational and medicinal cannabis markets in Canada, Australia, Israel, Jamaica, Germany and the European Union.

Infusion Biosciences is a biotechnology company focused on the discovery and commercialization of proprietary technologies that provide innovative means to deliver the experience and benefits of cannabis and hemp. Scientists at Infusion Biosciences have discovered the presence of and developed methods to directly recover (APP Technology), water soluble forms of lipids (oils), including cannabinoids and terpenes, which naturally exist in cannabis plants. Infusion Bioscience Canada is a wholly owned subsidiary of Infusion Bioscience.

APP Technology comprises a patent pending process that uses proprietary reagents to produce two unique ready-to-consume ingredients with the full spectrum features of bioactive molecules from cannabis and hemp plants:

- **Infuz₂O** – Bioactive molecules in their naturally water soluble state recovered in water; and
- **Bio Natural Oil** – Natural oils from cannabis plants infused into natural carrier oils for edible products and transdermal delivery.

SSM is a management consulting company engaged in research, product formulation and commercialization of technologies for the cannabis industry. SSM has been tasked by Infusion Biosciences Canada with certain research and management activities related to the APP Technology.

With the acquisition of Infusion, Sproutly will be able to commercialize the APP Technology in major regulated markets around the world with innovative cannabis products that target the \$50+ billion bottled water and functional beverage market with naturally water soluble molecules from cannabis and hemp. APP Technology is a low-cost, gentle method to produce Infuz₂O, a ground-breaking discovery that delivers the total effects of the strain of cannabis from which it is made; on-set effects start within approximately 5 minutes and dissipate within approximately 90 minutes.

Infusion Biosciences will be able to produce and sell innovative consumer products in several countries where cannabis use is legal. Sproutly and Infusion are positioned to leverage APP Technology to become a leader in the beverage industry and broaden the consumer base with products that will deliver controlled doses that meet expectations for cannabis experiences.

Environmental Protection

The Company intends to build operations that are highly contained and have no material environmental impact while adhering in strict compliance with the requirements of the Cannabis Act and other applicable legislation. The Company expects that the financial and operational effects of environmental protection requirements on its capital expenditures, profit and competitive position in the current and future years to be minimal.

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against the Company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by the Company or any of its subsidiaries, within the three most recently completed financial years or during or proposed for the current financial year.

RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described herein. The following are certain risk factors relating to the business carried on by the Company, which prospective investors should carefully consider before deciding whether to purchase Sproutly Shares. The risks and uncertainties described herein are not the only ones that the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operation may suffer significantly. References to the Company include its owned and partially-owned subsidiaries and affiliates in which the Company has an interest, as applicable.

Factors related to the THR Facility which may Prevent Realization of Business Objectives

The THR Facility was completed as of September 12, 2018. The only additional need for capital expenditures relates to the addition of the APP Technology equipment and some minor modifications to the lab to retrofit its purpose for the APP Technology equipment. The commencement of production could have a material effect on the Company's business, financial condition and prospects. It is the first time that the THR Facility will be used for the production of cannabis and there are potential unseen issues that may arise. The Company has taken considerable measures and incurred substantial costs to ensure that the equipment, building and process are of the highest quality. Some additional risks relating to the THR Facility are as follows:

- (a) breakdown, aging or failure of equipment or processes;
- (b) contractor or operator errors;
- (c) labour disputes, disruptions or declines in productivity;
- (d) inability to attract sufficient numbers of qualified workers;
- (e) disruption in the supply of energy and utilities; or
- (f) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Timeframes and Cost to Obtain a Licence Under the Cannabis Regulations

The timeframes and costs required for the Company, or any applicant for a licence under the Cannabis Regulations, to build the infrastructure required, to apply for and to receive a licence can be significant. Estimates of the timeframe and costs cannot be reliably determined at this time. The Company is at stage 3 of the licensing process. The Company has ordered its starting materials from another licensed producer and within 10 days of receipt of such starting materials an introductory inspection will be scheduled with Health Canada. The current backlog of applications from other licensees with Health Canada and the anticipated timeframe for processing and approval of any application cannot be reliably determined at this time.

Ultimately, in the process of meeting all licensing requirements, a facility meeting the rigorous requirements of Health Canada must be available for inspection by Health Canada before any licence can be granted.

The Company is in the process of starting its cultivation from materials received from another licensed producer in Canada. Cannabis clones were ordered in September 2018 and the Company expects to complete its first harvest in Q4, 2018.

The Company's Actual Financial Position and Results of Operations May Differ Materially from the Expectations of the Company's Management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

The Company Expects to Incur Significant Ongoing Costs and Obligations Related to its Investment in Infrastructure, Growth, Regulatory Compliance and Operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations,

more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this AIF, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve and sustain profitability, the market price of the Sproutly Shares may significantly decrease.

Regulatory Risks

The proposed activities of the Company will be subject to regulation by governmental authorities, particularly Health Canada's Office of Controlled Substances and the Canada Revenue Agency. The Company's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, although the operations of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to produce or sell medical marijuana or recreational cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of medical marijuana or recreational cannabis, or more stringent implementation thereof, could have a substantial adverse impact on the Company.

Governmental Regulations and Risks

The operations for the licence of the production of medical marijuana and recreational cannabis is subject to environmental regulation in the jurisdiction in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of medical marijuana and recreational cannabis, respectively, or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of medical marijuana and recreational cannabis, respectively, or more stringent implementation thereof, could have a material adverse

impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

The legalization of cannabis for recreational purposes may not be implemented as anticipated and, differing approaches to the distribution and sales by the provinces and territories of Canada may impose barriers to participation by the Company in the recreational cannabis market, and may also result in changes to the current regulatory regime providing access to cannabis for medical purposes

The Government of Canada proclaimed the Cannabis Act into law on October 17, 2018, however there remains no assurance that the legalization of cannabis by the Government of Canada will occur as anticipated or at all.

Health Canada's approach to the regulation of cannabis includes legislation relating to adult-use cannabis, cannabis for medical purposes and health products containing cannabis. Such legislation is new and interpretation and enforcement activities may impact the operations of licenced producers or affect the Canadian cannabis industry generally. Any such regulatory changes could adversely affect the Company's future business, financial condition and results of operations.

In addition, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational purposes will be implemented or enforced according to the terms announced by such provinces, or that such legislation will create the opportunities for growth anticipated by the Company. For example, the Provinces of Québec and New Brunswick have announced sales and distribution models that would create government-controlled monopolies over the legal retail and distribution of cannabis for recreational purposes in such provinces, which could limit the Company's opportunities in those provinces.

The Cannabis Industry and Market are Relatively New in Canada and this Industry and Market May Not Continue to Exist or Grow as Anticipated or the Company May Be Ultimately Unable to Succeed in this New Industry and Market.

The Company and its subsidiaries are operating their businesses in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Company's business, financial conditions and results of operations.

The Company's Industry is Experiencing Rapid Growth and Consolidation that May Cause the Company to Lose Key Relationships and Intensify Competition.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including the loss of strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

Limited Operating History

THR was incorporated and began carrying on business in 2013. It became a wholly owned subsidiary of Sproutly Sub on February 28, 2018 and is yet to generate any revenue. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will

be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Losses

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

Risks Inherent in an Agricultural Business

The Company's business may, in the future, involve the growing of medical marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although all such growing is expected to be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Reliance on Management

Another risk associated with the production and sale of medical marijuana is the loss of important staff members. The Company is currently in good standing with all high level employees and believes that with well managed practices it will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

If the Company is Unable to Attract and Retain Key Personnel, it May Not Be Able to Compete Effectively in the Cannabis Market.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, technical experts, management team and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of its employees.

Insurance and Uninsured Risks

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

Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically

feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

The Company Currently has Insurance Coverage; However, Because the Company Operates Within the Cannabis Industry, There are Additional Difficulties and Complexities Associated with Such Insurance Coverage.

The Company believes that it currently has insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations and profitability. There is no assurance that the Company will be able to fully utilize such insurance coverage, if necessary.

Difficult to Forecast

The Company must rely largely on its own market research to forecast sales, as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Size of the Company's Target Market is Difficult to Quantify, and Investors Will be Reliant On Their Own Estimates On the Accuracy of Market Data.

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Management of Growth

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

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the

Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of Sproutly Shares.

Risks Related to the Medical Marijuana Industry

Dried marijuana is not an approved drug or medicine in Canada. The Government of Canada does not endorse the use of marijuana, but the courts have required reasonable access to a legal source of marijuana when authorized by a healthcare practitioner.

The Company is in the process of submitting to Health Canada, an addition of activity to process and sell cannabis oils at its THR Facility. This additional licence will allow the Company to operate the APP equipment at its wholly owned subsidiary for the production of Infuz₂O and Bio-natural Oils. The Company and Infusion Biosciences are in the process of finalizing the analytics around the Infuz₂O products through a research agreement with Trace Analytics in Spokane, Washington.

The Company's Success to Date Has Relied Upon Licences Which Must Be Renewed and Involve Ongoing Compliance and Reporting Requirements

The Company's success to date has relied upon the following factors:

- the Company, through its indirect wholly owned subsidiary THR, was granted its licence to cultivate cannabis as of June 8, 2018;
- the Company personnel have passed through the security clearance stage of the licensing process;
- the Company has completed the build out of its THR Facility; and received all of its permits;
- the Company through THR has ordered its starting material to commence cultivation; and
- the Company will be undergoing its first audit within 10 days of receiving its starting material.

Even though the Company has obtained a licence, such licence will subject the Company to ongoing compliance and reporting requirements. Failure to comply with the requirements of the licence or any failure to maintain the licence could have a material adverse impact on the business, financial condition and operating results of the Company. Upon expiration of the licence, the Company would be required to submit an application for renewal to Health Canada containing information prescribed under the Cannabis Regulations, and renewal cannot be assured.

Licensing Requirements Under the Cannabis Regulations

The market for cannabis (including medical marijuana) in Canada is regulated by the Cannabis Act, the Cannabis Regulations and other applicable law. Health Canada is the primary regulator of the industry as a whole. The Cannabis Regulations aim to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

Applicants and licensed producers are required to demonstrate compliance with regulatory requirements, such as quality control standards, record-keeping of all activities, including inventories of marijuana, and physical security measures to protect against potential diversion. Licensed producers are also required to employ qualified quality assurance personnel who ultimately approve the quality of the product prior to making it available for sale. This approval process includes testing (and validation of testing) for microbial and chemical contaminants to ensure that they are within established tolerance limits for herbal medicines for human consumption as required under the Food and Drugs Act and determining the percentage by weight of.

The CRA is responsible for licensing cultivators, producers and packagers of cannabis products and collecting federal duties and taxes. Provincial and territorial governments are responsible for the distribution and retail sale of cannabis. CRA Licensees are required to register for the cannabis stamping regime (if packaging cannabis products for final sale), calculate the duty imposed on cannabis, report, file and remit the monthly duty payable, report on unpackaged and packaged cannabis product inventories. The licences are valid for a maximum of two years and the licensee must reapply for a licence renewal at least 30 days before the expiry of the licence.

Cultivators, producers and packagers of cannabis products are required to obtain a cannabis licence from the CRA before production. In order to qualify for a CRA cannabis licence, applicants are also required to obtain a licence from Health Canada. Failure to comply with CRA licensing requirements can result in revocation both the CRA licence and the licence from Health Canada.

The Expansion of the Medical Cannabis Industry May Require New Clinical Research into Effective Medical Therapies, When Such Research Has Been Restricted in the U.S. and Is New to Canada.

Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids, such as CBD and THC, remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids, such as CBD and THC. Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this AIF or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

Under Canadian Regulations, a Licensed Producer of Cannabis May Have Restrictions on the Type and Form of Marketing It Can Undertake, Which Could Materially Impact the Company's Sales Performance.

The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

The Company could be Liable for Fraudulent or Illegal Activity By Its Employees, Contractors and Consultants Resulting in Significant Financial Losses or Claims Against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or

asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company May Be Subject to Breaches of Security At Its Facilities.

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Government of Canada, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

The Company's Officers and Directors May Be Engaged In a Range of Business Activities Resulting In Conflicts of Interest.

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Unfavourable Publicity or Consumer Perception

Management of the Company believes that each of the medical marijuana and the recreational cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana and recreational cannabis, respectively, produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products or recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to either the medical marijuana or recreational cannabis market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions

means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana or recreational cannabis in general, or the Company's products specifically, or associating the consumption of medical marijuana or recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

If licensed as a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, provide inadequate instructions for use or provide inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

The Company May Not Be Able to Develop its Products, Which Could Prevent It From Ever Becoming Profitable.

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

If the Company Is Unable to Develop and Market New Products, It May Not Be Able to Keep Pace With Market Developments.

The cannabis industry is in its early stages and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues from new products. The Company may also be required to obtain additional regulatory approvals from Health Canada and other applicable authorities which may take significant time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized or obtaining any required regulatory approvals, which together with capital

expenditures made in the court of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

There is No Assurance that the Company Will Turn a Profit or Generate Immediate Revenues.

There is no assurance as to whether the Company will be profitable, earn revenues or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

Product Recalls

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

Competition

The Company will face competition from other companies, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. In addition, the government has only issued to date a small number of licences under the ACMPR and the Cannabis Regulations to produce and sell medical marijuana. There are, however, several hundred applicants for licences. The number of licences granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support.

The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

The Company's Operations Are Subject to Environmental Regulation in the Various Jurisdictions in Which It Operates.

Government environmental approvals and permits are currently and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the

Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company may be required to compensate those suffering loss or damage due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Anti-Bribery and Anti-Corruption Laws

The Company is subject to anti-bribery and anti-corruption laws, including the *Corruption of Foreign Public Officials Act* (Canada). Failure to comply with these laws could subject the Company to, among other things, reputational damage, civil or criminal penalties, other remedial measures and legal expenses, which could adversely affect the Company's business, results of operations and financial condition. It may not be possible for the Company to ensure compliance with anti-bribery and anti-corruption laws in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located or may be located in the future.

Market Risks for Securities

The market price of the Sproutly Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes and other events and factors outside of the Company's control.

Dividends

As set out below under the heading "*Dividends and Distributions*", the Company has not paid any dividends on the issued and outstanding Sproutly Shares to date and may not pay dividends in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the Sproutly Shares unless they sell their Sproutly Shares for a price greater than that which such investors paid for them.

Financing Risk

The Company will be dependent upon the capital markets to raise additional financing in the future. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. These and other factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. The Company may not be able to raise capital on favorable terms or at all, which could have an adverse impact on the Company's operations and the trading price of the Sproutly Shares. Additionally, future financing may substantially dilute the interests of the Company's shareholders.

DIVIDENDS AND DISTRIBUTIONS

While there are no restrictions in the Company's articles or pursuant to any agreement or understanding which could prevent the Company from paying dividends or distributions, the Company has a limited cash

flow and anticipates using all available cash resources to fund working capital and grow the business. As such, there are no plans to pay dividends in the foreseeable future. Any decisions to pay dividends in cash or otherwise in the future will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions existing at the time a determination is made.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The authorized capital of the Company consists of an unlimited number of common shares. As of the year ended February 28, 2018, there were 31,193,500 Sproutly Shares issued and outstanding. As of the date of this AIF, the Company has 162,171,133 Sproutly Shares issued and outstanding.

There are no special rights or restrictions of any nature attached to any of the Sproutly Shares, which all rank equally as to all benefits which might accrue to the holders of Sproutly Shares. The holders of the Sproutly Shares are entitled to one vote per share at meetings of Shareholders, to receive dividends if, as and when declared by the Board (subject to the rights of securities, if any, having priority over the Sproutly Shares) and to receive pro rata the remaining property and assets of the Company upon its dissolution or winding-up (subject to the rights of securities, if any, having priority over the Sproutly Shares).

Options

The Board has approved a Stock Option Plan (the “**Option Plan**”), designed for the Company's selected employees, officers, directors, consultants and contractors, to incentivize such individuals to contribute toward the Company's long term goals and to encourage such individuals to acquire Sproutly Shares as long-term investments. The Option Plan is administered by the Board and authorizes the issuance of Sproutly Options not to exceed a total of 10% of the total number of Sproutly Shares issued and outstanding from time to time. The terms of any award are determined by the Board, provided that no Sproutly Options may be granted at less than the fair market value of Sproutly Shares as of the date of the grant. As of the date of this AIF, there are 13,152,811 outstanding Sproutly Options under the Option Plan.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets out information relating to the monthly trading of the Sproutly Shares on the CSE (originally under symbol “SO” until this changed to “SPR” upon completion of the Arrangement) during the year ended February 28, 2018 and up to the date of this AIF:

Month	High (Cdn\$)	Low (Cdn\$)	Volume (# of Shares) ⁽¹⁾
March 2017	\$0.05	\$0.05	39,000
April 2017	\$0.065	\$0.065	3,000
May 2017	\$0.07	\$0.065	48,000
June 2017	\$0.06	\$0.055	30,000
July 2017	-	-	0
August 2017	\$0.06	\$0.06	100,000
September 2017	\$0.15	\$0.06	96,000
October 2017	\$0.10	\$0.06	5,000
November 2017	\$0.30	\$0.06	197,570

Month	High (Cdn\$)	Low (Cdn\$)	Volume (# of Shares) ⁽¹⁾
December 2017	\$0.33	\$0.25	215,570
January 2018	\$0.85	\$0.23	1,589,130
February 2018	\$0.87	\$0.50	213,750
March 2018	\$0.60	\$0.60	0
April 2018	\$0.60	\$0.60	0
May 2018	\$0.60	\$0.60	0
June 2018	\$0.60	\$0.60	0
July 2018 ⁽²⁾	\$1.18	\$0.60	7,373,267
August 2018	\$0.83	\$0.60	4,008,939
September 2018	\$0.81	\$0.63	4,904,681
October 2018	\$0.95	\$0.55	4,580,248

(1) All figures set out in the chart above from March 2017 to July 2018 are given on a pre-Stone Ridge Consolidation basis.

(2) On July 6, 2018 the Company completed the Arrangement and on July 9, 2018, the Sproutly Shares commenced trading on the CSE under the symbol "SPR". Prior to that time, the common shares of Stone Ridge were trading under symbol "SO"

Prior Sales

During the year ended February 28, 2018 and up to the date of this AIF, the Company issued the following securities, which are convertible into Sproutly Shares but are not listed or quoted on a marketplace:

Date of Issuance	Type of Security	Number of Securities ⁽¹⁾	Issue Price Per Security ⁽¹⁾
25-Mar-17	Options	2,942,593	\$0.0049
18-Apr-17	Options	101,469	\$0.0049
15-Mar-18	Options	4,058,749	\$0.2464
6-Jul-18	Options	2,500,000	\$0.2464
6-Jul-18	Options	600,000	\$0.60
01-Aug-18	Options	2,800,000	\$0.67
19-Dec-17	Warrants	439,867	\$0.74
20-Dec-17	Warrants	676,451	\$0.74
21-Dec-17	Warrants	1,116,156	\$0.74
22-Dec-17	Warrants	106,542	\$0.74
12-Jan-18	Warrants	3,712,500	\$0.20
12-Jan-18	Warrants	675,000	\$0.10
30-Jan-18	Warrants	1,620,456	\$0.74
31-Jan-18	Warrants	3,562,567	\$0.74
26-Mar-18	Warrants	394,279	\$0.17
28-Mar-18	Warrants	843,059	\$0.17
10-Apr-18	Warrants	448,782	\$0.17
18-Jun-18	Warrants	1,116,156	\$0.22
25-Oct-18	CD Special Warrants ⁽²⁾	10,750	\$1,000
25-Oct-18	Equity Special Warrants ⁽²⁾	15,400,000	\$0.65

(1) All figures are represented on a post-Arrangement basis after taking into account the Consolidation and exchange ratio.

(2) As defined under the heading "General Development of the Business – Three Year History – Subsequent to the Year Ended February 28, 2018"

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following table sets out the Sproutly Shares that are, to the Company's knowledge, held in escrow or that are subject to a contractual restriction on transfer and the percentage that number represents of the outstanding securities of that class as at the date of this AIF:

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Common Shares (Escrow) ⁽¹⁾	36,280,898 ⁽²⁾	22.37%
Common Shares (Restricted) ⁽³⁾	42,697,520 ^{(4) (5) (6)}	26.33%
Options	6,849,139 ⁽²⁾	52.07%

(1) The depository of the Sproutly Shares is TSX Trust pursuant to an Escrow Agreement dated July 6, 2018 (the “**Escrow Agreement**”).

(2) All escrowed securities (the “**Escrowed Securities**”) are subject to a 36-month release schedule pursuant to the Escrow Agreement, as described below:

4 months after the date the Issuer’s securities are listed on the CSE (the “ listing date ”)	1/10 of the Escrowed Securities
6 months after the listing date	1/6 of the remaining Escrowed Securities
12 months after the listing date	1/5 of the remaining Escrowed Securities
18 months after the listing date	1/4 of the remaining Escrowed Securities
24 months after the listing date	1/3 of the remaining Escrowed Securities
30 months after the listing date	1/2 of the remaining Escrowed Securities
36 months after the listing date	The remaining Escrowed Securities

(3) 42,697,520 Sproutly Shares (the “**Restricted Securities**”) are subject to contractual restrictions on transfer.

(4) 22,458,267 Restricted Securities are subject to lock-up agreements entered into prior to closing of the Arrangement, which contain the release schedule described below:

4 months after the date the Issuer’s securities are listed on the CSE (the “ listing date ”)	1/10 of the Restricted Securities
6 months after the listing date	1/6 of the remaining Restricted Securities
12 months after the listing date	1/5 of the remaining Restricted Securities
18 months after the listing date	1/4 of the remaining Restricted Securities
24 months after the listing date	1/3 of the remaining Restricted Securities
30 months after the listing date	1/2 of the remaining Restricted Securities
36 months after the listing date	The remaining Restricted Securities

(5) Holders of 5,195,189 Restricted Securities must not trade the security before the date that is 4 months after the listing date.

(6) Holders of 15,044,064 Restricted Securities are subject to a 12-month lock-up period, pursuant to which 50% of the Restricted Securities will be released 6 months after the listing date and the remaining 50% of the Restricted Securities will be released 12 months after the listing date.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holding

The following table sets forth information with respect to the directors and executive officers of the Company, including their respective provinces or states and countries of residence, their position(s) with the Company, their principal occupations for the last five years, the dates on which they first became directors or officers of the Company and the number of the Sproutly Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by such persons or such persons' respective associates or affiliates.

The directors hold office until the next annual meeting of the Company or until they otherwise cease to hold office in accordance with the Company's Articles. The term of office of the executive officers expires at the discretion of the Board.

Name, Province/State and Country of Residence	Position with the Company	Principal Occupation During the Past Five Years	Period as Director and/or Officer	Number and Percentage of Common Shares Held ⁽¹⁾
Keith Dolo ⁽²⁾⁽⁵⁾ British Columbia, Canada	Chief Executive Officer, President & Director	Mr. Dolo was employed by Robert Half Finance & Accounting from 2003 to 2017, most recently as a Vice President.	Since July 6, 2018	2,014,687 (1.24%)
Craig Loverock Ontario, Canada	Chief Financial Officer	Mr. Loverock has been employed as Chief Financial Officer of Contagious Gaming Inc., a TSXV listed company, since December 2015. Mr. Loverock has served as President of Loverock Consulting since May 2015. Mr. Loverock served as Chief Financial Officer of Voice Trust eServices from November 2014 to May 2015. He served as Chief Financial Officer and Chief Compliance Officer of Quartz Capital Group from November 2012 to October 2014.	Since July 6, 2018	81,175 (0.05%)
Karin Studer British Columbia, Canada	Chief Operating Officer	Ms. Studer was the Managing Partner of Bray Partners Inc. from February 2014 to February 2017, Owner & Primary Consultant at Studer Consulting from February 2013 to January 2014 and Director of Retail Operations of Coast Capital Savings from April 2006 to January 2013.	Since July 6, 2018	1,044,570 ⁽³⁾ (0.64%)
Aman Bains British Columbia, Canada	Director	Mr. Bains is currently the Managing Director of Bray Partners Inc., the general partner of Bray Limited Partnership since 2013.	Since July 6, 2018	18,023,106 ⁽⁴⁾ (11.11%)

Name, Province/State and Country of Residence	Position with the Company	Principal Occupation During the Past Five Years	Period as Director and/or Officer	Number and Percentage of Common Shares Held ⁽¹⁾
Justin Kates ⁽⁵⁾ British Columbia, Canada	Director	Justin Kates is a partner of DuMoulin Black LLP, practicing primarily in the areas of securities, corporate finance, mergers and acquisitions and corporate and commercial law. Mr. Kates has been with DuMoulin Black LLP since 2012.	Since July 6, 2018	Nil
Gregg Orr ⁽⁵⁾ British Columbia, Canada	Director	Mr. Orr is a Chartered Professional Accountant. Mr. Orr worked for Deloitte, in Vancouver, New York and London, for over 23 years serving clients in public accounting, auditing and advisory. He is currently CFO of Maple Gold Mines Ltd.	Since July 6, 2018	146,622 (0.09%)
Dr. Arup Sen Florida, USA	Chief Science Officer	Dr. Sen is the CEO of Infusion Biosciences Canada and has been since 2016. Prior to Infusion Biosciences, Dr. Sen was the co-founder, Chairman and Chief Executive Officer of Micronutrient Technologies Inc. (formerly Solutions Technologies Inc.) since its inception in 2012.	Since August 1, 2018	Nil

(1) Based on 162,171,133 Sproutly Shares issued and outstanding as of the date of this AIF.

(2) 750,000 Sproutly Shares held by 1147960 B.C. Ltd., a company wholly owned by Mr. Dolo.

(3) 710,281 Sproutly Shares held by Studer Asset Management Inc. ("**Studer Asset**"), a company wholly owned by Ms. Studer; 66,000 Sproutly Shares held personally and 268,289 Sproutly Shares held indirectly by Studer Asset through Bray Limited Partnership.

(4) 12,599,060 Sproutly Shares held by 0788286 B.C. Ltd., a company controlled by Mr. Bains; 1,500,000 Sproutly Shares held by Park Pointe Ventures Inc. ("**Park Pointe**"), a company wholly owned by Mr. Bains; and 3,924,046 Sproutly Shares held indirectly by Park Pointe through Bray Limited Partnership.

(5) Member of the Audit Committee.

Sproutly intends to form a Compensation Committee and a Corporate Governance and Nominating Committee by the end of the current fiscal year.

Aggregate Ownership of Securities

As at the date of this AIF, the Company's directors and executive officers as a group beneficially own, directly or indirectly, or exercise control of, 21,310,160 Sproutly Shares, collectively representing 13.14% of the Company's 162,171,133 issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

At the date of this AIF, no director, executive officer or promoter of the Company is, or was within 10 years prior to the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

- (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under Securities Legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director, executive officer or promoter was acting in the capacity as director, chief executive officer or chief financial officer of the relevant company; or
- (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under Securities Legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director, executive officer or promoter ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the Company's knowledge, no director or executive officer of the Company or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (i) is as at the date of this AIF, or has been within the 10 years before the date hereof, a director or executive officer of any company, including the Company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (ii) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the Company's knowledge, and other than as disclosed herein, no director or executive officer of the Company or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- (i) any penalties or sanctions imposed by a court relating to provincial and territorial Securities Legislation or by a provincial and territorial securities regulatory authority or has entered into settlement with a provincial and territorial securities regulatory authority; or
- (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

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

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest among the Company, its directors or officers as a result of their outside business interests, except that certain of the directors and officers serve as directors and/or officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest.

PROMOTERS

Keith Dolo and Aman Bains are considered to be the Company's "promoters", as that term is defined in the *Securities Act* (British Columbia), having taken initiative in the Company's reorganization. Other than as described below, neither of Mr. Dolo or Mr. Bains has received anything of value from the Company.

Keith Dolo owns, directly and indirectly, 2,014,687 Sproutly Shares, which represents 1.24% of the Company's issued and outstanding Sproutly Shares at the date of this AIF.

Aman Bains owns, directly and indirectly, 18,023,106 Sproutly Shares, which represents 11.11% of the Company's issued and outstanding Sproutly Shares at the date of this AIF.

For more information, see, "*Directors and Executive Officers*" for additional disclosure concerning the Company's promoters.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not, and was not during the most recently completed financial year, or from the end of the most recently completed financial year to the date of this AIF, a party to, nor was any of its property the subject of, any legal proceedings or regulatory actions material to the Company, and no such proceedings or actions are known to be contemplated.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described below and disclosed below or elsewhere in this AIF, none of the Company's directors, executive officers or principal securityholders, or associates or affiliates of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the preceding three years or in any proposed transaction that has materially affected or will materially affect the Company.

On August 1, 2018, the Company acquired all of the issued and outstanding shares of each of Infusion Biosciences Canada and SSM. The Acquisition was completed pursuant to: (i) a share purchase agreement dated July 31, 2018 among Sproutly, Infusion Biosciences Canada and Infusion; and (ii) a share purchase agreement dated July 31, 2018 among Sproutly, SSM and BNO Holdings Inc. Dr. Arup Sen held approximately 30% of the common shares of Infusion and served as a director and officer.

TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent is TSX Trust Company, located at 2700 – 650 West Georgia Street, Vancouver, BC V6B 4N9.

MATERIAL CONTRACTS

The following is a summary of each material contract, other than contracts entered into in the ordinary course of Sproutly's business, that was entered into in the financial year ending February 28, 2018, or up to the date of this AIF, that is still in effect:

- 1) The Arrangement Agreement. See *"General Development of the Business – Three Year History"* for further details.
- 2) The Infusion Share Purchase Agreement. See *"General Development of the Business – Three Year History - Subsequent to Year Ended February 28, 2018"* for further details.
- 3) The SSM Share Purchase Agreement. See *"General Development of the Business – Three Year History - Subsequent to Year Ended February 28, 2018"* for further details.
- 4) The equity special warrant indenture dated October 24, 2018 between the Company and TSX Trust, which indenture provides for the creation of the Equity Special Warrants and includes a form of Equity Special Warrant certificate. See *"General Development of the Business – Three Year History - Subsequent to Year Ended February 28, 2018"* for further details related to the Equity Special Warrants.
- 5) The convertible debenture special warrant indenture dated October 24, 2018 between the Company and TSX Trust, which indenture provides for the creation of the CD Special Warrants and includes a form of CD Special Warrant certificate. See *"General Development of the Business – Three Year History - Subsequent to Year Ended February 28, 2018"* for further details related to the CD Special Warrants.
- 6) The convertible debenture indenture dated October 24, 2018 between the Company and TSX Trust, which indenture provides for the creation of the Convertible Debentures and includes a form of Convertible Debenture certificate. See *"General Development of the Business – Three Year History - Subsequent to Year Ended February 28, 2018"* for further details related to the Convertible Debentures.
- 7) The warrant indenture dated October 24, 2018 between the Company and TSX Trust, which indenture provides for the creation of the Sproutly Warrants underlying the securities issued pursuant to the Offering and includes a form of Sproutly Warrant certificate. See *"General Development of the Business – Three Year History - Subsequent to Year Ended February 28, 2018"* for further details related to the Warrants.

INTERESTS OF EXPERTS

No person or company whose profession or business gives authority to a report, valuation, statement or opinion made by the person or company are named in this AIF as having prepared or certified any of the aforementioned documents or any part thereof described in this AIF.

MNP LLP, as auditor of the Company, has confirmed that they are independent with respect to the Company within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee Charter sets out the Audit Committee's responsibilities and authority, procedures governing meetings, qualifications for membership and particulars governing the role of the Chair. A copy of the Audit Committee Charter is attached as Appendix "A" hereto.

Composition of the Audit Committee

As at the date of this AIF, the following individuals are the current members of the Audit Committee and will hold office until the next annual general meeting of shareholders of the Company:

Justin Kates	Independent ⁽¹⁾	Financially Literate ⁽¹⁾
Gregg Orr	Independent ⁽¹⁾	Financially Literate ⁽¹⁾
Keith Dolo	Not-Independent	Financially Literate ⁽¹⁾

(1) As defined by National Instrument 52-110 – *Audit Committees* ("NI 52-110").

The members of the Audit Committee are appointed by the Board at its first meeting following the annual Shareholders' meeting. Unless a chair is elected by the full Board, the members of the Audit Committee designate a chair by a majority vote of the full Audit Committee membership.

Relevant Education and Experience

The relevant education and/or experience of each member of the Audit Committee is as follows:

Gregg Orr

Mr. Orr is a Chartered Professional Accountant that worked for Deloitte in Vancouver, New York and London for over 23 years serving clients in public accounting, auditing and advisory. Mr. Orr was an Audit Partner at Deloitte for 10 years.

Justin Kates

Mr. Kates is a partner of DuMoulin Black LLP, practicing primarily in the areas of securities, corporate finance, mergers and acquisitions and corporate and commercial law. Mr. Kates is also a member of the TSX Venture Exchange's Local Advisory Committee and the Securities Law and Business Law sections of the Canadian Bar Association. Prior to obtaining his Juris Doctor, Mr. Kates obtained his Bachelors in Business Administration, with a major in finance.

Keith Dolo

Mr. Dolo served for over 13 years with Robert Half, an S&P 500 and NYSE listed company. Mr. Dolo held the role of Vice President for over 8 years at Robert Half and worked at PriceWaterhouseCoopers as an accountant for approximately two and a half years. Mr. Dolo obtained a Bachelor of Commerce in Accounting from the University of Saskatchewan.

Audit Committee Oversight

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

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of the Company's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems necessary, and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the Committee's consideration, and if thought fit, approval in writing.

External Auditor Service Fees (By Category)

The following table sets out the aggregate fees billed by the Company's external auditors, MNP LLP, for the year ended February 28, 2018 and fees incurred by Manning Elliott LLP, the Corporation's predecessor entity, for audits in relation to the fiscal year ended February 28, 2017:

FINANCIAL YEAR ENDING FEBRUARY 29/FEBRUARY 28	AUDIT FEES	AUDIT RELATED FEES	TAX FEES	ALL OTHER FEES ⁽¹⁾
February 28, 2018	\$90,245	\$43,651	Nil	\$73,927 ⁽¹⁾
February 28, 2017	\$22,000	Nil	Nil	Nil

(1) Comprises accounting and finance advisory services related to the Arrangement.

Reliance on Certain Exemptions

The Company is relying on the exemption in section 6.1 of NI 52-110 from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

ADDITIONAL INFORMATION

Additional information relating to the Company may be found under the Company's profile on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's Listing Statement, which is also available under the Company's profile on SEDAR at www.sedar.com.

Additional financial information is provided in the Company's audited annual financial statements and accompanying management's discussion and analysis ("MD&A") for the year ended February 28, 2018, in Sproutly Sub's audited annual financial statements and accompanying MD&A for the year ended February 28, 2018 and in THR's annual financial statements for the year ended March 31, 2017.

APPENDIX A: CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

1. Purpose of the Committee
 - 1.1 The purpose of the Audit Committee is to assist the Board in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.
2. Members of the Audit Committee
 - 2.1 At least one member must be "financially literate" as defined under NI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.
 - 2.2 The Audit Committee shall consist of no less than three Directors.
 - 2.3 At least one member of the Audit Committee must be "independent" as defined under NI 52-110, while the Company is in the developmental stage of its business.
3. Relationship with External Auditors
 - 3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.
 - 3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.
 - 3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.
 - 3.4 The Audit Committee will have direct communications access at all times with the external auditors.
4. Non-Audit Services
 - 4.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit Committee must consider that the benefits to the Company from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.
 - 4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Company:
 - (i) acting as an agent of the Company for the sale of all or substantially all of the undertaking of the Company; and
 - (ii) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.

5. Appointment of Auditors

5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

6. Evaluation of Auditors

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

7. Remuneration of the Auditors

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

8. Termination of the Auditors

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

9. Funding of Auditing and Consulting Services

9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

10. Role and Responsibilities of the Internal Auditor

10.1 At this time, due to the Company's size and limited financial resources, the Company's Chief Executive Officer and Chief Financial Officer are responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

11. Oversight of Internal Controls

11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

12. Continuous Disclosure Requirements

12.1 At this time, due to the Company's size and limited financial resources, the Company's Chief Executive Officer and Chief Financial Officer are responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

13. Other Auditing Matters

13.1 The Audit Committee may meet with the Auditors independently of the management of the Company at any time, acting reasonably.

13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

14. Annual Review

14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

15. Independent Advisers

15.1 The Audit Committee shall have the power to retain legal, accounting or other advisors to assist the Committee.