Sproutly Canada Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended November 30, 2018 and 2017
(In Canadian Dollars)

Condensed Interim Consolidated Statements of Financial Position 1

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss 2

Condensed Interim Consolidated Statements of Changes in Equity 3

Condensed Interim Consolidated Statements of Cash Flows......................... 4

Notes to the Condensed Interim Consolidated Financial Statements 5–28

(Unaudited – Expressed in Canadian Dollars)

	Notes	November 30, 2018	February 28, 2018
		$	$
Assets			
Current Assets			
Cash		11,488,163	741,385
Receivables	7	311,686	395,670
Biological assets	8	14,060	-
Inventory	9	3,440	-
Prepaid expenses		1,170,696	-
		12,988,045	1,137,055
Non-Current Assets			
Property, plant and equipment	10	11,519,925	10,914,333
Intangible assets	11	63,122,476	6,200,305
Goodwill	4	1,322,544	1,208,036
Total assets		**88,952,990**	**19,459,729**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12	1,281,062	1,740,596
Loans and borrowings	13	3,320,448	6,861,382
Convertible loan payable	14	-	979,079
Contingent consideration payable	5	4,197,050	-
		8,798,560	9,581,057
Non-Current Liabilities			
Contingent consideration payable	5	452,514	-
Loans and borrowings	13	1,943,444	2,458,474
Convertible loan payable	14	6,670,605	-
Deferred tax liability	4	1,817,807	1,208,036
Total liabilities		**19,772,930**	**13,247,567**
Shareholders' Equity			
Share capital	15	45,162,976	7,832,586
Reserves		36,244,306	1,050,179
Accumulated deficits		(12,227,222)	(2,670,603)
Total equity		**69,180,060**	**6,212,162**
Total liabilities and equity		**88,952,990**	**19,459,729**

Nature of Operations (Note 1)
Commitments (Note 22)
Subsequent Event (Note 23)

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

Sproutly Canada Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
Three and nine months ended November 30, 2018 and 2017
(Unaudited – Expressed in Canadian Dollars)

		Three months ended November 30,		Nine months ended November 30,	
	Notes	**2018**	**2017**	**2018**	**2017**
		$	**$**	**$**	**$**
Production costs		15,826	-	15,826	-
Unrealized loss on changes in fair value of biological assets	8	28,198	-	28,198	-
Gross loss		44,024	-	44,024	-
Expenses					
General and administration	18	1,128,077	317,562	3,663,870	682,170
Marketing		437,065	-	737,162	-
Depreciation and amortization	10,11	98,998	-	106,464	-
Share-based payments	16	604,000	88,697	1,178,906	243,088
Loss from operations		2,312,164	406,259	5,730,426	925,258
Other Expense (Income)					
Listing expense	3	-	-	3,818,459	-
Other expense		47,306	-	100,647	-
Finance and other costs	19	511,634	67,146	1,082,090	68,092
Foreign exchange		990	-	1,021	-
Loss on extinguishment of contingent cash payment to related party	5	24,064	-	24,064	-
Gain on extinguishment of interest and loans	13(c)(d)(f)(g)	-	-	(1,251,983)	-
		583,994	67,146	3,774,298	68,092
Net Loss before tax		**2,896,158**	**473,405**	**9,504,724**	**993,350**
Income tax expense (recovery)		(85,610)	-	51,895	-
Net Loss and Comprehensive Loss for the period		**2,810,548**	**473,405**	**9,556,619**	**993,350**
Basic and diluted loss per share		**0.02**	**0.02**	**0.08**	**0.05**
Weighted average number of shares outstanding Basic and diluted		**161,792,272**	**20,293,741**	**117,999,482**	**19,921,796**

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

Sproutly Canada Inc.
Condensed Interim Consolidated Statements of Changes in Equity
Nine months ended November 30, 2018 and 2017
(Unaudited – Expressed in Canadian Dollars)

		Share Capital			Reserves						
	Notes	**Common Shares**	**Amount**	**Obligation to Issue Shares**	**Equity Units**	**Share-Based Compensation**	**Warrants**	**Convertible Notes**	**Total Reserves**	**Accumulated Deficit**	**Total**
		#	$	$	$	$	$	$	$	$	$
Balance, January 17, 2017		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Incorporation shares	15(c)(i)(ii)	20,293,741	50,000	-	-	-	-	-	-	-	50,000
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	-	(993,350)	(993,350)
Share-based compensation		-	-	-	-	243,088	-	-	243,088	-	243,088
Balance, November 30, 2017		**20,293,741**	**50,000**	**-**	**-**	**243,088**	**-**	**-**	**243,088**	**(993,350)**	**(700,262)**
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	-	(1,677,253)	(1,677,253)
Equity component of convertible notes (deferred tax recovery on conversion)		-	-	-	-	-	-	152,230	152,230	-	152,230
Issuance of units consisting of shares and warrants	15(c)(iii)	15,044,078	3,049,387	-	-	-	567,854	-	567,854	-	3,617,241
Issuance of shares on Toronto Herbal Remedies Inc. Acquisition	15(c)(iv)	23,427,883	4,733,199	-	-	-	-	-	-	-	4,733,199
Share-based compensation		-	-	-	-	87,007	-	-	87,007	-	87,007
Balance, February 28, 2018		**58,765,702**	**7,832,586**	**-**	**-**	**330,095**	**567,854**	**152,230**	**1,050,179**	**(2,670,603)**	**6,212,162**
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	-	(9,556,619)	(9,556,619)
Equity component of convertible notes		-	-	-	-	-	-	474,899	474,899	-	474,899
Warrants issued for convertible debentures		-	-	-	-	-	231,846	-	231,846	-	231,846
Convertible debenture unit financing (net of deferred tax)	6	-	-	-	-	-	1,449,087	901,698	2,350,785	-	2,350,785
Warrants units issued to brokers for convertible debentures	6, 15(e)	-	-	-	187,462	-	79,660	-	267,122	-	267,122
Equity warrant unit financing	6	-	-	-	8,445,984	-	-	-	8,445,984	-	8,445,984
Warrant units issued to brokers for equity warrant unit financing	6, 15(f)	-	-	-	287,573	-	108,930	-	396,503	-	396,503
Issuance of shares for loan and interest repayments	15(c)(v)(vi)	18,308,015	3,698,817	-	-	-	-	-	-	-	3,698,817
Share-based payment	15(c)(ix)	2,023,288	408,770	-	-	-	-	-	-	-	408,770
Conversion of notes	14	24,292,531	3,984,768	-	-	-	84,260	(627,129)	(542,869)	-	3,441,899
Reverse acquisition of Sproutly Canada Inc.	3	19,670,731	3,974,134	-	-	20,745	292,125	-	312,870	-	4,287,004
Acquisition of Infusion Biosciences Canada Inc.	5, 15(c)(xi)	36,857,676	24,694,643	22,229,239	-	-	-	-	22,229,239	-	46,923,882
Exercise of options	15(c)(xii)	50,000	15,186	-	-	(5,186)	-	-	(5,186)	-	10,000
Exercise of warrants	15(c)(xiii), (d)	2,203,190	554,072	-	-	-	(145,972)	-	(145,972)	-	408,100
Share-based compensation		-	-	-	-	1,178,906	-	-	1,178,906	-	1,178,906
Balance, November 30, 2018		**162,171,133**	**45,162,976**	**22,229,239**	**8,921,019**	**1,524,560**	**2,667,790**	**901,698**	**36,244,306**	**(12,227,222)**	**69,180,060**

Sproutly Canada Inc.
Condensed Interim Consolidated Statement of Cash Flows
Three and nine months ended November 30, 2018 and 2017
(Unaudited – Expressed in Canadian Dollars)

		Three months ended		Nine months ended	
			November 30,		November 30,
	Notes	2018	2017	2018	2017
		$	$	$	$
Cash Provided by (used in) Operating Activities					
Net loss and comprehensive loss		(2,810,548)	(473,405)	(9,556,619)	(993,350)
Adjusted for non-cash items:					
Unrealized loss on changes in fair value of biological assets		28,198	-	28,198	-
Depreciation of property, plant and equipment	10	68,994	-	76,459	-
Amortization of intangible asset	11	33,159	-	33,159	-
Listing expense	3	-	-	3,818,459	-
Share-based payments	15(c)(ix)	-	-	408,770	-
Share-based compensation	16	604,000	88,697	1,178,906	243,088
Financing fees	15(d)	-	-	231,846	-
Accretion expense	19	258,017	-	563,555	-
Interest recovery	13(d)(g)	-	-	(76,606)	-
Loss on extinguishment of contingent cash payment to related party	5	24,064	-	24,064	-
Gain on extinguishment of interests and loans	13(c)(d)(f)(g)	-	-	(1,251,983)	-
Deferred tax expense (recovery)		(85,610)	-	51,895	-
Change in non-cash operating working capital					
GST receivables		(98,955)	(20,472)	126,447	(20,472)
Other receivables		(6,470)	-	(30,275)	-
Biological assets		(42,257)	-	(42,257)	-
Inventories		(3,440)	-	(3,440)	-
Prepaid expenses		(898,211)	-	(1,591,098)	-
Accounts payable and accrued liabilities		42,193	162,241	(436,885)	214,501
		(2,886,866)	(242,939)	(6,447,405)	(556,233)
Cash Provided by (used in) Financing Activities					
Proceeds (repayment) of short term loans		(708)	401,164	(103,552)	2,259,000
Proceeds from convertible debenture special warrant units	6, 14	9,657,428	-	9,657,428	-
Proceeds from equity special warrant units	6	8,842,487	-	8,842,487	-
Proceeds of convertible debt	14	-	307,002	2,184,101	307,002
Proceeds from equity portion of convertible debt	14	-	23,023	474,899	23,023
Proceeds from issuance of warrants		-	403,586	-	403,586
Shares issued for cash		-	-	-	201,164
Shares issued for option exercise	15(c)(xii)	10,000	-	10,000	-
Shares issued from warrant exercises	15(c)(xiii)	208,000	-	408,100	-
		18,717,207	1,134,775	21,473,463	3,193,775
Cash Provided by (used in) Investing Activities					
Cash acquired from reverse acquisition transaction	3	-	-	561,124	-
Contingent cash payment to related party	5	(4,525,000)	-	(4,525,000)	-
Funds advance to Sproutly USA Inc.		-	(291,906)	-	(718,406)
Funds advance to a third party		-	(472,842)	-	(1,546,622)
Purchase of property, plant and equipment		(99,390)	-	(315,404)	-
		(4,624,390)	(764,748)	(4,279,280)	(2,265,028)
Net change in cash		11,205,951	127,088	10,746,778	372,514
Cash, beginning of period		282,212	245,426	741,385	-
Cash, ending of the period		**11,488,163**	**372,514**	**11,488,163**	**372,514**

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

1. Nature and continuance of operations

Sproutly Canada Inc. (on a consolidated basis "the Company" or "Sproutly Canada"), formerly Stone Ridge Exploration Corp. ("Stone Ridge") was incorporated on January 26, 2012 under the Business Corporations Act (British Columbia). On July 6, 2018, the Company acquired Sproutly Inc. ("Sproutly") through a reverse acquisition transaction described in Note 3. The historical operations, assets, and liabilities of Sproutly are included as the comparative figures, which is deemed to be the continuing entity for financial reporting purposes. Sproutly was incorporated on January 17, 2017 under the British Columbia Business Corporation Act. The registered office is located at 10th floor – 595 Howe Street, Vancouver, British Columbia, V6C 2T5. On July 9, 2018, the Company began trading on the Canadian Securities Exchange ("the Exchange") under the symbol "SPR". The Company is also quoted on the Frankfurt, Berlin and Munich exchanges under the symbol "38G", and on the OTCQB Venture Marketplace under the symbol "SRUTF".

The Company intends to identify and evaluate potential business opportunities in the medicinal and recreational cannabis industry. On February 28, 2018, Sproutly acquired all of the issued and outstanding common shares of Toronto Herbal Remedies Inc. ("THR") described in Note 4. On June 8, 2018, Health Canada granted THR a cultivation license to produce and sell medical marijuana under the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR").

On July 31, 2018, the Company acquired all of the issued and outstanding common shares of Infusion Biosciences Canada Inc. ("IBS Canada") and SSM Partners Inc. ("SSM Partners") described in Note 5.

On October 26, 2018, the Company commenced the process of growing cannabis with amounts classified as biological assets as at November 30, 2018.

The Company has not generated any revenues from operations and has incurred losses since inception. The Company incurred an accumulative deficit of $12,312,832 and negative cash flows from operating activities for the period from January 17, 2017 to November 30, 2018. To date, the Company's activities have been funded through financing activities. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

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

2. Summary of significant accounting policies

(a) Basis of presentation

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

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies and critical estimates applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the period from January 17, 2017 to February 28, 2018 except for accounting pronouncements adopted on March 1, 2018 disclosed in Note 2(f).

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on January 25, 2019.

2. Significant accounting policies (continued)

(b) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Sproutly, THR, IBS Canada, and SSM Partners. All intercompany balances and transactions were eliminated on consolidation.

(c) Basis of measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, biological assets and acquisition related contingent consideration which are measured at fair value.

(d) Functional currency

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

(e) Significant accounting judgments, estimates and assumptions

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

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

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

Critical judgments in applying accounting policies

(i) Going concern

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

(ii) Biological assets and inventory

In calculating the fair value of biological assets, management is required to make a number of estimates, including estimating the stage of growth of cannabis plants up to the point of harvest, harvesting costs, selling costs, expected selling prices, expected yields and attrition for cannabis plants. In calculating final inventory vales, management compares the inventory costs to estimated net realizable value.

2. Significant accounting policies (continued)

Critical estimates

(i) Business combination or asset acquisition

Classification of an acquisition as a business combination or asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

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

In an asset acquisition, all identifiable assets are recorded at their fair values. The most significant estimates relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value.

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

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date. This is not applicable for asset acquisitions.

(ii) Current and deferred taxes

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

(iii) Fair value of financial instruments

The individual fair values attributable to the different components of a financing transaction, notably borrowing liabilities, Convertible Debenture Special Warrant units and Equity Special Warrant units (Note 6) are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine the values attributable to each component of a transaction at the time of their issuance. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

(iv) Share-based payments

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

2. Significant accounting policies (continued)

(f) Recent accounting pronouncements adopted

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

(i) IAS 41 Agriculture

The Company's biological assets consist of cannabis plants. The Company measures the biological assets at fair value less costs to complete and cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Fair value is determined based on future cash flows of the in-process biological assets less costs to complete. Costs to sell include post-harvest production, shipping, and fulfilment costs. The net unrealized gains or losses arising from changes in fair value less costs to sell during the year are included in the results of operations of the related year.

(ii) IFRS 15 Revenue from Contracts with Customers

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

(iii) IFRS 9 Financial Instruments

Replaces the guidance in IAS 39 - Financial Instruments; Recognition and Measurement, on the classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost or financial assets measured at fair value. Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income. Financial liabilities upon initial recognition is measured at fair value. Gains and losses on re-measurement of financial liabilities at fair value will recognized through profit or loss. Other financial liabilities will be recognized at amortized costs.

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

Financial asset/liability	Classification under IAS 39	Classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans and Borrowings	Other financial liabilities	Amortized cost
Convertible loan payable	Other financial liabilities	Amortized cost
Contingent consideration payable	Financial liabilities	Fair value through profit or loss
Due to related party	Financial liabilities	Fair value through profit or loss

2. Significant accounting policies (continued)

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

(f) Recent accounting pronouncements not yet effective

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

(i) IFRS 16 Leases

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

3. Reverse acquisition transaction

On July 6, 2018, the Company (formerly Stone Ridge) acquired 100% ownership of Sproutly by issuing 103,389,522 shares to acquire all of the 50,946,506 issued and outstanding shares of Sproutly (the "Transaction"). For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 Business Combinations ("IFRS 3") since Stone Ridge, prior to the acquisition, did not constitute a business. As a result, the acquisition is accounted for in accordance with IFRS 2 Share-based Payment ("IFRS 2") whereby Sproutly is deemed to have issued shares as well as share purchase options and warrants in exchange for the net assets of the Company together with its listing status at the fair value of the consideration deemed received by Sproutly. The accounting for this transaction resulted in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, Sproutly Canada Inc., but considered a continuation of the financial statements, assets and operations of the legal subsidiary, Sproutly.

(ii) Since Sproutly is deemed to be the continuity entity of accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carry values.

Since the shares and share-based consideration allocated to the former shareholders of the Company on closing is considered with the scope of IFRS 2, and the Company was not able to identify specifically some or all of the goods or service received in return for the allocation of the shares and options, the value in excess of the net identifiable assets or obligations of the Company acquired on closing was expensed in the consolidated statement of loss and comprehensive loss as listing expense.

(Unaudited – Expressed in Canadian Dollars)

3. Reverse acquisition transaction (continued)

The listing expense of $3,818,459 is comprised of the fair value of the common shares, options and warrants of the Company retained by the former shareholders of the Company of the Transaction less the fair value of the net assets of the Company that were acquired.

The listing fee expense is summarized as follows:

	$
Common shares issued (19,670,747 shares at $0.20)	3,974,134
Adjustment to fair value of options (200,000 stock options exercisable at $0.20)	20,745
Adjustment to fair value of warrants (3,712,500 warrants exercisable at $0.20)	216,920
Adjustment to fair value of warrants (675,000 warrants exercisable at $0.10)	75,205
	4,287,004
Net assets of the Company:	
Cash	561,126
GST receivable	12,186
Accounts payable	(104,767)
	468,545
Listing expense	3,818,459

The Company has estimated the fair value of the equity instruments deemed to be issued by Stone Ridge. The fair value of 19,670,747 common shares amounted to $3,974,134 based on the fair value of shares issued in a private placement for the year ended February 28, 2018.

The fair value of the 200,000 stock options, exercisable at $0.20 per share until May 5, 2020, amounted to $20,745. The fair value was estimated using the Black-Scholes option pricing model using the following assumptions:

Exercise price	$0.20	
Share price	$0.20	
Risk free interest rate	2.05%	
Expected life	1.83	years
Volatility	100%	
Dividend yield	nil	

The fair value of the 4,387,500 warrants, exercisable at $0.10 to $0.20 per share until January 12, 2019, amounted to $292,125. The fair value was estimated using the Black-Scholes option pricing model using the following assumptions:

Exercise price	$0.10-$0.20	
Share price	$0.20	
Risk free interest rate	2.05%	
Expected life	0.52	years
Volatility	100%	
Dividend yield	nil	

(Unaudited – Expressed in Canadian Dollars)

4. Acquisition of THR

On February 28, 2018, Sproutly Inc. acquired all of the issued and outstanding common shares of THR in exchange for 11,544,388 or 23,427,883 of post reverse acquisition common shares of Sproutly Inc. valued at $0.41 per share, for total consideration of $4,733,199. The transaction was accounted for as a business combination.

THR has been granted a license to produce and sell medical marijuana under the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and is finalizing the construction of a production facility in Scarborough, Ontario.

The purchase price was allocated as follows:

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

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

Fair values of the net liabilities acquired include the following:

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

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

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

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

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

(Unaudited – Expressed in Canadian Dollars)

5. Acquisition of IBS Canada and SSM Partners

On July 31, 2018, the Company completed the acquisition of all of the issued and outstanding shares of IBS Canada and SSM Partners pursuant to Share Purchase Agreements for a total consideration of $56,523,704.

Consideration consists of $5,025,060 in cash and the issuance of 36,857,676 Sproutly Canada common shares. As of August 31, 2018, $4,525,000 of the cash consideration is outstanding. If the Company is unable to satisfy the cash payment consideration within 12 months after the acquisition date, the seller of IBS Canada has the discretion to settle the remaining balance with Sproutly Canada common shares determined by the lower of a 25% discount to the 10 day volume weighted average trading price or $0.25 per share. As the remaining balance is contingent on whether the Company is able to generate additional financing, it was re-measured at a fair value of $4,479,759 based on management's judgement as to when the amount will be paid. The common shares issued were valued at $24,694,643. On October 25, 2018, the Company settled the $4,525,000 of outstanding cash consideration. Within the period ended November 30, 2018, the Company recognized an accretion expense of $21,178 and a loss on extinguishment of contingent cash payment to related party of $24,064.

The sellers are also entitled to an additional consideration of $4,975,000 in cash and 36,857,675 Sproutly Canada common shares if IBS Canada and SSM Partners are able to complete the milestones as per the earn-out provisions of the agreement within three years from the acquisition date. For the cash contingent consideration, if the Company is unable to settle the consideration balance within 12 months upon completion of the earn-out provision, the seller of SSM Partners has the discretion to settle the remaining balance with Sproutly Canada common shares determined by the lower of a 25% discount to the 10 day volume weighted average trading price or $0.25 per share. Both cash and equity contingent considerations were re-measured at fair value of $4,618,483 and $22,229,239 respectively, based on management's judgment on the probability and timing when the milestones will be completed, and will be evaluated every reporting period until completion. During the three months ended November 30, 2018, the Company recorded an accretion expense of $31,080 on the contingent cash consideration.

For accounting purposes, acquisitions of IBS Canada and SSM Partners are accounted for as one aggregate transaction. IBS Canada has the licensing rights for the exclusive use of certain technology within specified jurisdictions for the development, use, ability to make, sell, offer for sale, import and export of water soluble and oil based projects from cannabis and hemp plants, while SSM Partners will provide the analytics to support the technology. The transaction is considered to be outside of the scope of IFRS 3 as both entities did not constitute businesses. As a result, it is accounted for as an asset acquisition in accordance to IAS 38 Intangible Assets ("IAS 38").

The aggregated consideration of $56,523,704 was allocated to intangible assets:

	$
Consideration	
Cash	500,060
Outstanding cash consideration - Due to related party[1]	4,479,759
Assumption of accounts payable	1,520
Common shares issued (36,857,676 shares)	24,694,643
Contingent cash consideration[2]	4,618,483
Contingent equity consideration	22,229,239
Total consideration	56,523,704

(1) Outstanding cash consideration of $4,525,000 was re-measured at fair value using effective interest rate of 2.03%.

(2) Contingent cash consideration of $4,975,000 was re-measured at fair value using effective interest rate of 2.03%.

6. Special warrants bought deal financing

On October 24, 2018, the Company completed a Special Warrants Bought Deal Financing (the "Offering") of Convertible Debenture Special Warrant units ("CD Special Warrant") and Equity Special Warrant units for gross proceeds of $20,760,000. A total of 10,750 CD Special Warrant units at a price of $1,000 per unit and 15,400,000 of Equity Special Warrant units at a price of $0.65 per unit were issued by the Company. CD Special Warrant units and Equity Special Warrant units will be automatically exercised into Convertible Debenture units ("CD Unit") and Equity Units at a 1:1 ratio respectively upon the earlier of: (i) 60 days following the closing of the Offering ("Qualification Deadline") and (ii) third business day after obtaining a receipt of a final short form prospectus qualifying the distribution of the CD Units and Equity Units upon exercise of the CD Special Warrants units and Equity Special Warrant units ("Prospectus Qualification").

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 Convertible Debenture units ("CD Units") per CD Special Warrant or 1.05 Equity Units per Equity Special Warrant unit.

Each CD Unit comprised of a principal amount of a $1,000 unsecured convertible debenture of the Company and 667 common share purchase warrants with an exercise price of $0.90 per share, expiring on October 24, 2020. The convertible debenture bears interest at a rate of 8.0% per annum from the date of the Offering, payable semi-annually and matures on October 24, 2020. The holder has the option to convert the debentures into common share at a conversion price of $0.75 at any time prior to maturity. The convertible debentures can be redeemed, in whole or in part by the Company at any time following the date that is 12 months from the date of issuance at a price equal to the outstanding principal amount plus all accrued and unpaid interest up to the redemption date.

Each Equity Unit is comprised of one common share and one-half of one common share purchase warrant with an exercise price of $0.90 per share, expiring on October 24, 2020.

On closing, the Company paid the agents: (i) $591,250 in commission for CD Special Warrant units; (ii) $700,700 in commission for Equity Special Warrant units; $270,000 in agent expenses and legal fees; (iii) $622,800 in success fees; (iv) 788,333 Broker CD Special Warrants ("Broker CD Warrants") valued at $267,122; and (v) 1,078,000 Broker Equity Special Warrants ("Broker Equity Warrants") valued at $396,503. In addition, the Company incurred $75,335 of legal fees as part of the prospectus financing. Total proceeds net of transaction costs for CD Special Warrant units and Equity Special Warrant units are $9,657,428 and $8,842,487 respectively.

Each Broker CD Warrant, when exercised without payment of additional consideration, comprise of one Broker Convertible Debenture Warrant. Each Broker Convertible Debenture Warrant entitles the holder to purchase a Broker Debenture Unit at an exercise price of $0.75 per unit, expiring on October 24, 2020. When exercised, each Broker Debenture Unit comprise of one common share and one-half of one common share purchase warrant with an exercise price of $0.90 per share, expiring on October 24, 2020.

Each Broker Equity Special Warrant, when exercised without payment of additional consideration, comprise of one Broker Equity Warrant. Each Broker Equity Warrant entitles the holder to purchase a Broker Equity Unit at an exercise price of $0.65 per unit, expiring on October 24, 2020. When exercised, each Broker Equity Unit comprise of one common share and one-half of one common share purchase warrant with an exercise price of $0.90 per share, expiring on October 24, 2020.

Broker CD Warrants and Broker Equity Special Warrants were measured based on the fair value of the equity instruments granted, as the fair value of services cannot be reliably measured. In addition, values are assigned to both common share and warrant features.

The estimated fair value related to common share features for both Broker CD Warrants and Broker Equity Special Warrants were $187,462 and $287,573 respectively determined based on the following assumptions:

(Unaudited – Expressed in Canadian Dollars)

6. Special warrant bought deal financing (continued)

Share price	$0.66
Exercise price	$0.65 and $0.75
Annualized volatility	71.19%
Risk-free interest rate	2.30%
Dividend yield	0.00%
Expected life	2 Years

The estimated fair value related to one-half of one common share warrant feature for both Broker CD Warrants and Broker Equity Special Warrants were $79,660 and $108,930 respectively determined based on the following assumptions:

Share price	$0.66
Exercise price	$0.90
Annualized volatility	71.19%
Risk-free interest rate	2.30%
Dividend yield	0.00%
Expected life	2 Years

The Company has accounted for the CD Special Warrants containing a conversion feature when exercised that exchanges as a fixed amount of cash for a fixed number of shares by bifurcating and splitting the accounting between the liability and equity components of the financial instrument. The Company has recognized the liability component of the CD Special Warrant at fair value, calculated by discounting the cash flows associated with the liability component at its market rate for nonconvertible debt, and determined the fair value of the warrants using the Black-Scholes option pricing model. The residual amount of the proceeds were allocated to the equity conversion feature. The Company has allocated transaction costs associated with the CD Special Warrants in proportion to the value assigned to the liability and equity components. The Company has recorded the transaction costs associated with the liability component of the CD Special Warrants as a debt discount which is included in the amortization of the financial instrument using an effective interest rate of 24.26%. As part of the transaction, the Company has recorded a deferred tax liability of $357,758 and deferred tax recovery of $85,610.

For the Equity Special Warrants, the Company assigned all proceeds to common share reserve as the trading share price on the day of the Offering exceeded the unit price. The Company has recorded the transaction costs associated with the Equity Special Warrants as a deduction in equity.

The valuation of the Offering as at October 24, 2018 are as follows:

	$
Total Proceeds	20,760,000
Fair value of liability component of CD Special Warrants	(6,596,153)
Fair value of equity component of CD Special Warrants (net of deferred tax)	(901,698)
Fair value of warrant component of CD Special Warrants	(1,449,087)
Fair Value of share reserve of Equity Special Warrants	(8,445,984)
Deferred tax liability for CD Special Warrants	(357,758)
Deferred tax recovery	(85,610)
Transaction costs	2,923,710
Transaction costs assigned to liability	1,092,572
Transaction costs assigned to equity	1,831,138
	2,923,710

7. Receivables

	November 30, 2018	February 28, 2018
	$	$
Subscription receivable	575	10,566
GST and HST receivable	258,657	385,104
Other receivable	52,454	-
	311,686	395,670

(Unaudited – Expressed in Canadian Dollars)

8. Biological assets

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

	$
Balance at February 28, 2018	-
Production costs capitalized	42,258
Changes in fair value less cost to sell due to biological transformation	(28,198)
Balance at November 30, 2018	14,060

As of November 30, 2018, the weighted average fair value less cost to complete and cost to sell was $3.33 per gram.

The following inputs and assumptions are all categorized within Level 3 on the fair value hierarchy and were used in determining the fair value of biological assets:

Inputs and assumptions	**Calculation method**	**Inter-relationship between unobservable inputs and fair value – the estimated fair value would increase (decrease) if:**
Selling price per gram	Based on expected future selling price for all strains of cannabis sold by the Company.	The selling price per gram were higher (lower).
Attrition rate	Based on the average number of plants culled at each stage of production.	The attrition rate was lower (higher).
Average yield per plant	Based on the average number of grams of dried cannabis inventory expected to be harvested from each cannabis plant.	The average yield per plant was higher (lower).
Cost per gram to complete production	Based on actual production costs incurred divided by the grams expected to be produced.	The costs per gram to complete production was lower (higher).
Cumulative stage of completion in the production process	Based on the number of days in production over a total approximate grow cycle.	The number of days in production was higher (lower).

The following input and assumptions values were used in determine the biological asset value as at November 30, 2018

Inputs and assumptions	**Value**
Selling price per gram	$4.00 per gram
Attrition rate	10%
Average yield per plant	39 grams per plant
Cost per gram to complete production	$0.49 per gram
Cumulative stage of completion in the production process	28 – 35 days

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets as at November 30, 2018, are as follows:

Inputs and assumptions	**Input value**	**Sensitivity**	**Effect on fair value**
Selling price per gram	$4.00 per gram	Increase or decrease of $1.00 per gram	$5,326
Attrition rate	10%	Increase or decrease by 5%	$1,184
Average yield per plant	39 grams per plant	Increase or decrease by 10%	$2,130
Cost per gram to complete production	$0.49 per gram	Increase or decrease by $0.25	$3,677
Cumulative stage of completion in the production process	28 – 35 days	Increase or decrease by 7 days	$4,734

(Unaudited – Expressed in Canadian Dollars)

8. Biological assets (continued)

The Company's estimates are, by nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

As of November 30, 2018, it was expected that the Company's biological assets would yield approximately 14,710 grams of cannabis when harvested.

9. Inventory

The following is a breakdown of inventory as at November 30, 2018:

	November 30, 2018	February 28, 2018
	$	$
Grow medium	269	-
Nutrients	3,171	-
	3,440	-

As at November 30, 2018, there is no harvested cannabis in inventory.

10. Property, plant and equipment

	Land	Building & Improvements	Construction in Progress	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Total
Costs	$	$	$	$	$	$	$
Balance, January 17, 2017	-	-	-	-	-	-	-
Additions (Note 4)	1,098,550	-	9,815,783	-	-	-	10,914,333
Balance, February 28, 2018	1,098,550	-	9,815,783	-	-	-	10,914,333
Additions	-	66,629	581,879	3,923	2,021	27,599	682,051
Reclass on completed phases of construction	-	9,963,121	(10,397,662)	77,304	-	357,237	-
Balance, November 30, 2018	1,098,550	10,029,750	-	81,227	2,021	384,836	11,596,384

	Land	Building & Improvements	Construction in Progress	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Total
Accumulated Depreciation	$	$	$	$	$	$	$
Balance, January 17, 2017	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Balance, February 28, 2018	-	-	-	-	-	-	-
Depreciation	-	59,223	-	6,796	943	9,497	76,459
Balance, November 30, 2018	-	59,223	-	6,796	943	9,497	76,459
Net Book Value							
February 28, 2018	1,098,550	-	9,815,783	-	-	-	10,914,333
November 30, 2018	1,098,550	9,970,527	-	74,431	1,078	375,339	11,519,925

The Company completed construction of a 16,600 square foot production facility at THR located at Scarborough, Ontario that was completed on September 12, 2018. Costs related to the construction of this facility were capitalized as construction in progress and subsequently allocated to building and equipment. Depreciation commenced when construction had been completed and the facility was placed in service.

During the three months and nine months ended November 30, 2018, the Company capitalized $23,013 and $389,660 of borrowing costs to construction in progress prior to the completion of the facility.

Depreciation related to production equipment was capitalized as part of production costs within biological assets. During the three months ended November 30, 2018, $3,155 of depreciation was capitalized.

(Unaudited – Expressed in Canadian Dollars)

11. Intangible assets

A continuity of the intangible assets for the nine months ended November 30, 2018 is as follows:

	Balance at February 28, 2018	Acquisition Additions	Amortization	Balance at November 30, 2018
	$	$	$	$
Costs				
ACMPR license application (Note 4)	6,200,305	431,626	33,159	6,598,772
Technology license (Note 5)	-	56,523,704	-	56,523,704
	6,200,305	**56,955,330**	**33,159**	**63,122,476**

A continuity of the intangible assets for the year ended February 28, 2018 is as follows:

	Balance at January 31, 2017	Acquisition Additions	Amortization	Balance at February 28, 2018
	$	$	$	$
Costs				
ACMPR license application (Note 4)	-	6,200,305	-	6,200,305
	-	**6,200,305**	**-**	**6,200,305**

12. Accounts payable and accrued liabilities

	November 30, 2018	February 28, 2018
	$	$
Interest payable	661,566	864,981
Trade payables	438,215	768,256
Other payables	181,281	107,359
	1,281,062	**1,740,596**

13. Loans and borrowings

As at November 30, 2018, the Company held the following loans and borrowings:

		November 30, 2018	February 28, 2018
		$	$
Current			
On-demand loan	(a)	-	100,000
Borrowings	(b)	150,000	150,000
Mortgage payable with 0982244 B.C. Ltd.	(c)	-	1,446,754
Interest bearing loan with 2546308 Ontario Inc.	(d)	3,125,000	3,125,000
Related party loan with 1023409 B.C. Ltd.	(e)	45,448	49,000
Interest bearing loan with 1053797 B.C. Ltd.	(f)	-	1,990,628
		3,320,448	6,861,382
Long-term			
Mortgage payable with 0982244 B.C. Ltd.	(c)	1,021,156	-
Interest bearing loan with 0982244 B.C. Ltd.	(c)	922,288	876,587
Interest bearing loan with Bray Limited Partnership	(g)	-	1,581,887
		1,943,444	2,458,474
		5,263,892	**9,319,856**

13. Loans and borrowings (continued)

(a) On-demand loan

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

(b) Borrowings

On November 2, 2017, the Company entered into an unsecured term loan for the principal amount of $150,000. The loan began to bear interest at a rate of 10% per annum effective on December 15, 2017 and will continue until full and final payment is received. The loan was received at the same time that an additional $150,000 was received for share subscriptions receivable at $0.35 per share. The difference between the share subscription receivable amount of $0.35 and the average share subscription receivable amount of $0.50 was treated as financing charges and initially offset against the loan. A finance fee of $69,832 was then recorded as an expense to record the loan at its principal amount of $150,000 as at February 28, 2018. The balance is outstanding and on due on demand as of November 30, 2018.

During the three and nine months ended November 30, 2018, the Company incurred interest expense of $3,781 and $11,426 respectively.

(c) Mortgage payable and interest bearing loan with 0982244 B.C. Ltd.

On June 24, 2015, THR entered into a secured, non-convertible loan of $3,250,000 with 0982244 B.C. Ltd. The loan has a fixed interest rate of 8.5% per annum compounded semi-annually with share purchase and loan conversion options. Loan was originally repayable on June 24, 2018. On February 28, 2018, the lender exercised its rights to purchase 2,399,918 of THR's common shares and $1,500,000 of the outstanding loan balance was converted to a shareholder loan with interest of 8.5% per annum compounded semi-annually due on February 28, 2023.

The original portion of the loan was re-measured at fair value using effective interest rate method at an effective interest rate of 19.6% on February 28, 2018 when THR was acquired by the Company.

On August 7, 2018, THR and the lender amended the $1,750,000 original loan agreement by extending the maturity date from June 24, 2018 to June 24, 2021 and changed the interest rate to 10.0% per annum. Changes in terms were deemed to be significant modifications of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 19.43% on June 24, 2018 and a $740,308 gain on extinguishment of loan was recorded for the period ended August 31, 2018.

During the three and nine months ended November 30, 2018, the Company incurred borrowing costs of $5,753 and $114,892 that was capitalized to construction in progress and recorded accretion expense of $7,523 and $37,372. Upon completion of the THR production facility, the Company incurred $37,877 of interest expense for the period ended November 30, 2018.

The $1,500,000 shareholder loan was determined to be below fair market value, an estimate was completed to determine third party interest rate of 21.10%. The loan was initially present valued and subsequently recorded at amortized cost using the effective interest rate. As of February 28, 2018, the carrying amount of the loan is $876,587.

On August 7, 2018, THR and the lender amended the loan agreement by reducing the maturity date from February 28, 2023 to June 24, 2021 and changed the interest rate to 10.0% per annum. Changes in terms were deemed to not represent a substantial modification of the original financial liability. A gain on modification of $26,620 was recognized based on the revaluation of the loan.

During the three and nine months ended November 30, 2018, the Company incurred borrowing costs of $4,931 and $73,397 respectively that was capitalized to construction in progress and recorded accretion expense of $33,784 and $72,320 respectively. Upon completion of the THR production facility, the Company incurred $32,466 of interest expense for the period ended November 30, 2018.

13. Loans and borrowings (continued)

(d) Interest bearing loan with 2546308 Ontario Inc.

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

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

During the three and nine months ended November 30, 2018, the Company incurred borrowing costs of $12,329 and $201,371 respectively that was capitalized as part of construction in progress. Upon completion of the THR production facility, the Company incurred $37,877 of interest expense for the period ended November 30, 2018.

(e) Related party loan with 1023409 B.C. Ltd.

On July 18, 2017, the Company received an unsecured, interest-free, non-convertible loan of $49,000 from 1023409 B.C. Ltd. $3,552 was repaid as at November 30, 2018 and the remaining balance due on demand.

(f) Interest bearing loan with 1053797 B.C. Ltd.

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

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

(g) Interest bearing loan with Bray Limited Partnership

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

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

On April 10, 2018, Bray Limited Partnership forgave $39,919 of interest payable from THR and assigned the outstanding loan balance of $1,619,979 and $245,142 of interest payable to Sproutly Inc. for 5,419,992 Sproutly common shares with a deemed value of $0.49 per share. The fair value of the common shares on the date of the assignment was $0.41 per share and the Company recognized a loss on extinguishment of interests and loan of $357,076. Accretion expense for the year prior to extinguishment was $38,062.

(Unaudited – Expressed in Canadian Dollars)

14. Convertible loans payable

	(i) $	(ii) $	(iii) $	Total $
Balance, January 17, 2017	-	-		-
Issued	330,000	815,000	-	1,145,000
Equity portion	(23,024)	(157,855)	-	(180,879)
Accretion	11,329	3,629	-	14,958
Balance, February 28, 2018	318,305	660,774	-	979,079
Issued	-	2,659,000	9,657,428	12,316,428
Equity portion	-	(474,899)	(3,061,275)	(3,536,174)
Accretion	11,695	187,396	164,452	363,543
Conversion	(330,000)	(3,032,271)	-	(3,362,271)
Balance, November 30, 2018	**-**	**-**	**6,760,605**	**6,760,605**

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

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

As at May 31, 2018, the loan and conversion feature were extended until November 30, 2018. On June 13, 2018 the lender exercised its rights to convert all principal amount outstanding into 1,100,000 units. Each unit consists of one common share and one half (1/2) of a share purchase warrant resulting in an issuance of 1,100,000 pre-reverse acquisition common shares and 550,000 pre-reverse acquisition warrants. As a result, $84,260 was recognized as warrant reserves with the residual balance recorded as share capital. On the date of the reverse acquisition, the conversion of shares and warrants was equivalent to 2,232,312 shares and 1,116,156 warrants of the Company.

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

The conversion feature could be exercised in the following manner:

- Automatic conversion upon reverse acquisition of Stone Ridge (Note 3).
- The holder shall have the right at any time to convert prior to the maturity date on April 10, 2019.

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

On June 18, 2018, holders exercised the rights of conversion and converted all of the principal amount outstanding, including accumulating interest of $79,658, into 10,870,452 pre-reverse acquisition common shares. On the date of the reverse acquisition, the conversion of shares is equivalent to 22,060,219 common shares.

(iii) On October 24, 2018, the Company completed a Special Warrants Bought Deal Financing for gross proceeds of $20,760,000 (Note 6). $10,750,000 of gross proceeds were derived from issuance of 10,750 CD Special Warrant units at a price of $1,000 per unit or $9,657,428 after deduction of transaction costs.

14. Convertible loans payable (continued)

(iii) The loan's embedded conversion feature was determined to meet the definition of a compound financial instrument required to assign a fair value to the debt with any residual amount recorded as equity. As a result, $6,596,153 was recognized as the liability portion for the convertible loan. The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized costs at using effective interest rate of 24.26%.

15. Share Capital

(a) Authorized

Unlimited number of common shares without par value

(b) Escrow Shares

Pursuant to an escrow agreement dated July 6, 2018, 36,255,898 common shares of the Company were deposited into escrow with respect to the reverse acquisition. Under the escrow agreement, 10% of the escrowed common shares will be released on November 6, 2018 and 15% will be subsequently released every 6 months thereafter over a period of 36 months. As of November 30, 2018, 32,630,308 shares are held in escrow.

(c) Issued and outstanding

Pre-reverse acquisition

(i) On January 17, 2017 on incorporation, Sproutly issued 9,300,000 shares for aggregate proceeds of $46,500.

(ii) On April 10, 2017, Sproutly issued 700,000 shares at for aggregate proceeds of $3,500.

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

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

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

(vi) On April 30, 2018, Sproutly issued 400,000 common shares valued at $0.41 per share to 2546308 Ontario Inc. for the assignment of $200,000 interest receivable from THR to Sproutly (Note 13(d)).

(vii) On June 13, 2018, 1,100,000 common shares were issued on the conversion of $330,000 convertible notes (Note 14). $19,337 was reclassified from reserves to share capital on the conversion of these notes.

(viii) June 18, 2018, 10,870,452 common shares were issued on the conversion of $3,032,271 convertible notes and interest of $79,658 (Note 14). $607,792 was reclassified from reserves to share capital on the conversion of these notes.

(ix) On June 18, 2018, 997,001 common shares were issued at a fair value of $408,770 as payment for financial advisory services.

(Unaudited – Expressed in Canadian Dollars)

15. Share Capital (continued)

On and after reverse acquisition

(x) On July 6, 2018, as a result of the reverse acquisition transaction as described in Note 4, the Company acquired all of the issued and outstanding 50,946,506 common shares of Sproutly Inc. in exchange for 103,389,536 common shares of the Company. Prior to the issuance of shares for the transaction, the Company has 19,670,731 of issued and fully paid common shares.

(xi) On July 31, 2018, 36,857,676 common shares were issued at a fair value of $24,694,643 pursuant to the acquisition of IBS Canada and SSM Partners (Note 5).

(xii) During the nine months ended November 30, 2018, 50,000 options (November 30, 2017 – nil) were exercised for gross proceeds of $10,000 (November 30, 2017 – nil). Non-cash compensation of $5,186 were reclassified from reserves to share capital on exercise of these options.

(xiii) During the nine months ended November 30, 2018, 2,203,190 warrants (November 30, 2017 – nil) were excised for gross proceeds of $408,100 (November 30, 2017 – nil). Non-cash compensation of $145,972 was reclassified from reserves to share capital on the exercise of these warrants.

As at November 30, 2018, there were 162,171,133 (February 28, 2018 – 58,765,702) issued and fully paid common shares.

(d) Share purchase warrants

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

	Warrants	**Weighted Average Exercise Price**
	#	$
Balance, January 17, 2017	-	-
Issued	7,522,038	$0.74
Balance, February 28, 2018	7,522,038	$0.74
Issued: RTO warrants (Note 3)	4,387,500	$0.18
Issued	2,802,277	$0.19
Exercised	(2,203,190)	$0.19
Balance, November 30, 2018	**12,508,625**	**$0.52**

For the period ended November 30, 2018, the Company has issued 1,686,120 finder's warrants to third parties and recognized $231,846 in warrant reserves and financing fees.

The following table summarizes the warrants that remain outstanding as at November 30, 2018:

Exercise Price ($)	**Warrants Outstanding (#)**	**Expiry Date**
0.20	1,800,625	January 12, 2019
0.10	383,685	January 12, 2019
0.22	1,116,156	November 30, 2019
0.74	439,867	December 19, 2019
0.74	676,451	December 20, 2019
0.74	1,116,156	December 21, 2019
0.74	106,542	December 22, 2019
0.74	1,620,456	January 30, 2020
0.74	3,562,567	January 31, 2020
0.17	394,279	March 26, 2020
0.17	843,059	March 28, 2020
0.17	448,782	April 10, 2020
	12,508,625	

(Unaudited – Expressed in Canadian Dollars)

15. Share Capital (continued)

(d) Share purchase warrants

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

	2018	**2017**
Volatility	100% to 137.4%	137.4%
Expected life	0.52 to 2 years	2 years
Risk-free rate	1.68% to 2.05%	1.68%

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

(e) CD Special Warrant and Equity Special Warrant Units

As part of the Special Warrants Bought Deal Financing (Note 6), each CD Special Warrant when exercised entitles the holder one CD Unit comprised of $1,000 unsecured convertible debenture of the Company and 667 common share purchase warrants with an exercise price of $0.90 per share, expiring on October 24, 2020. The Company has recognized $1,449,087 in warrant reserves related to the share purchase warrants.

For the issuance of CD Special Warrant Units, the Company has granted brokers 788,333 Broker CD Special Warrants. Each Broker Convertible Debenture Warrants entitles the holder to purchase a Broker Debenture Unit at an exercise price of $0.75 per unit, expiring on October 24, 2020. Each Broker Debenture Unit when exercised, converts to one common share and one-half of one common share purchase warrant with an exercise price of $0.90 per share, expiring on October 24, 2020. The Company has recognized $79,660 in warrant reserves related to the share purchase warrants.

(f) Equity Special Warrant Units

For the issuance of Equity Special Warrant Units, the Company has granted brokers 1,078,000 Broker Equity Special Warrants. Each Broker Equity Warrants entitles the holder to purchase a Broker Equity Unit at an exercise price of $0.65 per unit, expiring on October 24, 2020. Each Broker Debenture Unit when exercised, converts to one common share and one-half of one common share purchase warrant with an exercise price of $0.90 per share, expiring on October 24, 2020. The Company has recognized $79,660 in warrant reserves related to the share purchase warrants.

(Unaudited – Expressed in Canadian Dollars)

16. Share-based compensation

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") approved by the shareholders which complies with the rules and policies of the Canadian Securities Exchange. Under the Plan, the aggregate number of common shares which may be subject to option at any time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the Optionee. If the Optionee ceases to be qualified to receive options from the Company those options shall immediately expire. All options vest when granted unless otherwise specified by the Board of Directors. Options granted to persons providing investor relations activities to the Company must vest in stages over at least one-year period and no more than one-quarter of such options may be vested in any three month period.

	Stock Options #	**Weighted Average Exercise Price $**
Balance, January 17, 2017	-	-
Granted	3,044,058	$0.01
Balance, February 28, 2018	3,044,058	$0.01
Granted: RTO options	200,000	$0.20
Granted	10,746,249	$0.40
Exercised	(50,000)	$0.20
Balance, November 30, 2018	**13,940,307**	**$0.32**

The following table summarizes the stock options that remain outstanding as at November 30, 2018:

Exercise Price ($)	**Options Outstanding (#)**	**Expiry Date**	**Options Exercisable (#)**
0.02	150,000	May 5, 2020	150,000
0.01	1,014,687	March 25, 2027	1,014,687
0.01	1,927,906	March 25, 2027	169,114
0.01	101,465	April 18, 2027	16,911
0.25	4,058,749	March 25, 2027	676,446
0.25	2,500,000	July 6, 2028	-
0.60	600,000	July 6, 2028	-
0.67	2,800,000	August 1, 2028	-
0.62	787,500	November 6, 2028	-
	13,940,307		**2,027,168**

During the three and nine months ended November 30, 2018, the Company recorded aggregated share-based payments of $604,000 and $1,178,906 respectively (three and nine months ended November 30, 2017 - $88,697 and $243,088 respectively) for all stock options granted and vested during the period.

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

	2018	**2017**
Volatility	74.28% to 100%	148%
Expected life	1.83 to 10 years	9 to 10 years
Risk-free rate	2.05% to 2.36%	1.22% to 1.40%

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

(Unaudited – Expressed in Canadian Dollars)

17. Related party transactions

(a) Compensation of key management personnel

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

The remuneration of key management personnel during the quarter ended was as follows:

		Three months ended November 30,		Nine months ended November 30,	
		2018	**2017**	**2018**	**2017**
		$	$	$	$
Management compensation	(i)	352,961	70,083	738,860	194,786
Share-based compensation	(ii)	440,132	86,483	917,150	237,590
		793,093	**156,566**	**1,656,010**	**432,376**

(i) As of November 30, 2018, the Company owes $108,921 to key management personnel.

(ii) Share-based payments are the fair value of options granted and vested to key management personnel and directors of the Company under the Company's stock option plan (Note 16).

(b) Loans from related parties

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

	Note	**November 30, 2018**	**February 28, 2018**
		$	$
On-demand loan – Director	13	-	100,000
Loan payable – 1023409 B.C. Ltd.	13	45,448	49,000
Due to related parties – Bray Limited Partnership	13	-	1,581,887
		45,448	**1,730,887**

(c) Due to related party

The Company settled a contingent consideration cash payment to a related party on October 25, 2018 of $4,525,000 as part of the acquisition of Infusion Biosciences Canada. For the period ended November 30, 2018, the Company recognized an accretion expense of $21,178 and a loss on extinguishment of contingent cash payment to related party of $24,064 (Note 5).

(Unaudited – Expressed in Canadian Dollars)

18. General and Administration

	Three months ended November 30,		Nine months ended November 30,	
	2018	**2017**	**2018**	**2017**
			$	$
Professional fees	326,205	126,674	1,680,961	220,472
Office and administration	249,509	78,074	667,641	158,217
Wages	552,363	112,814	1,315,268	303,481
	1,128,077	**317,562**	**3,663,870**	**682,170**

19. Finance and other costs

	Three months ended November 30,		Nine months ended November 30,	
	2018	**2017**	**2018**	**2017**
			$	$
Accretion expense	258,017	-	563,555	-
Bank charges	9,940	396	13,697	1,342
Financing fees	-	66,750	231,846	66,750
Interest expense	243,677	-	272,992	-
	511,634	**67,146**	**1,082,090**	**68,092**

20. Financial instruments and risk management

(a) Fair values of financial instruments

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

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

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

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

Cash, receivables, accounts payable and accrued liabilities, on-demand loans and current borrowings approximate their fair value due to their short-term nature. The initial fair value of the convertible loans payable, loan payable, contingent consideration payable and due to related party has been measured using Level 3 valuation methods and the following summarizes the key assumptions used to estimate fair value as at November 30, 2018:

20. Financial instruments and risk management (continued)

Valuation approach	Key inputs	Inter-relationship between inputs and fair value measurement
The liability of the convertible debenture was valued using Company specific interest rates assuming no conversion features existed. The debt component is accreted over the term to maturity as a non-cash interest charge and the initial equity component is $3,061,275.	Discount rate – 21% per annum.	As the discount rate decreases, the fair value increases.
The fair value of the contingent consideration payable and due to a related party was driven by the Company's expectations of IBS Canada and SSM Partners achieving the contractual milestones	Probabilities of achieving the milestones; Discount rate – 2.03%.	As the probabilities of achieving the milestones increases, the fair value increases. As the discount rate decreases, the fair value increases.

(b) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Receivables mainly comprise of GST and HST receivable as well as tenant improvement allowance for the office lease (Note 22). The Company believes credit risk is limited as both types of receivables have low risk of collectability.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its holdings of cash and financing opportunities.

Since incorporation, the Company's primary source of funding has been through debt and equity. The Company's access to financing is always uncertain. As at November 30, 2018, the Company had current assets of $12,988,045 to settle current liabilities of $8,798,560.

(d) Interest rate risk

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

(Unaudited – Expressed in Canadian Dollars)

21. Capital Management

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

22. Commitments

On August 1, 2017 the Company entered into a two year office lease agreement at 1050 – 1095 West Pender St, Vancouver, British Columbia for monthly payments of $16,317 until the end of the 2018 calendar year and $16,801 until the lease expires on July 31, 2019.

Future lease payments of the remaining lease are $133,924.

	$
2019	49,919
2020	84,005
	133,924

23. Subsequent event

On December 21, 2018 the Company filed a final short form prospectus and obtained a receipt in each of the provinces of British Columbia, Alberta, Manitoba and Ontario to qualify the distribution of 15,400,000 Equity Units issuable upon the deemed exercise of 15,400,000 Equity Special Warrants of the Company, and 10,750 CD Units issuable upon the deemed exercise of 10,750 CD Special Warrants of the Company previously issued on October 24, 2018 on a private placement basis pursuant to prospectus exemptions under applicable securities legislation.