SPROUTLY CANADA INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (“MD&A”)

FOR THE THREE MONTHS ENDED May 31, 2019

The following is a discussion and analysis of the financial condition and results of operations of Sproutly Canada Inc. ("Sproutly" or the "Company") for the three months ended May 31, 2019. This MD&A should be read in conjunction with the Company's unaided condensed interim consolidated financial statements and accompanying notes for the three months ended May 31, 2019. All amounts in the MD&A are in Canadian dollars, except share and per share amounts or as indicated otherwise. The Company's accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The effective date of this MD&A is July 29, 2019.

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

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

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

Cautionary Statement on Forward Looking Information

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

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

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

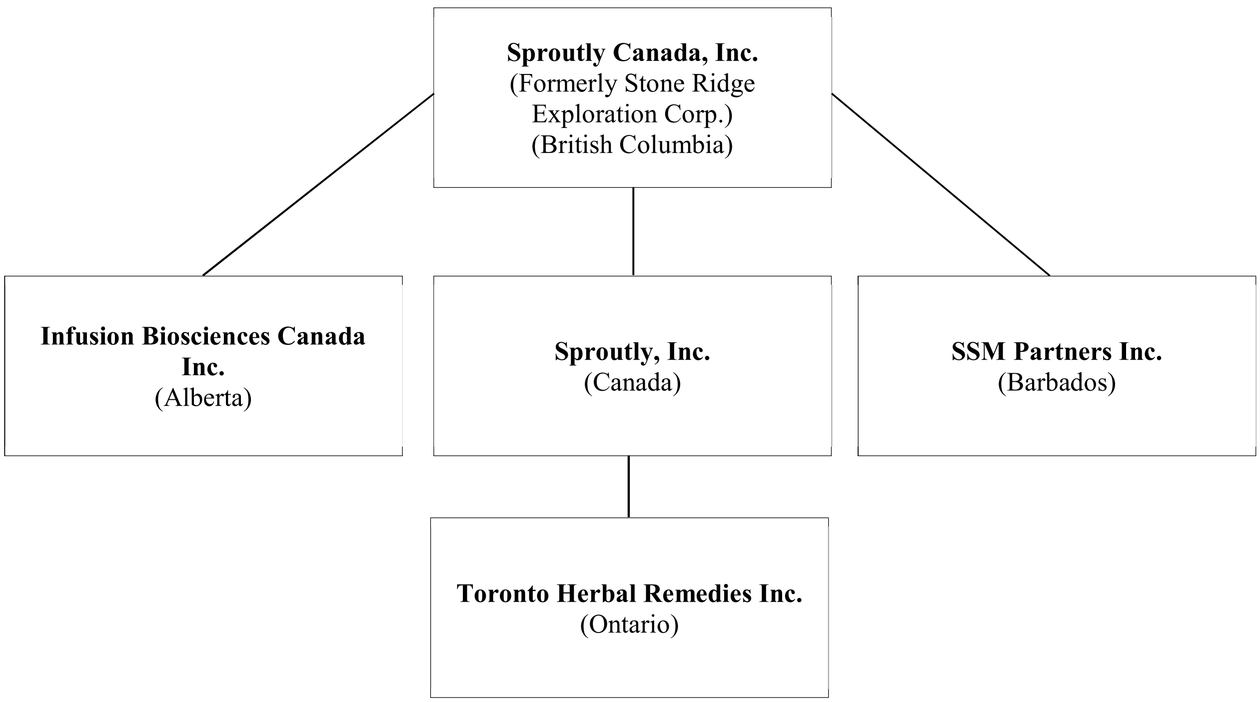
Description of Business

Sproutly Canada, Inc. was incorporated 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 (the "Arrangement") of Sproutly Canada, Inc. and became a wholly-owned subsidiary of the Company.

Sproutly Canada, Inc., through its wholly owned subsidiary Sproutly, Inc., is a licensed producer of medical cannabis pursuant to the Access to Cannabis for Medical Purposes Regulations (Canada) (the "ACMPR") and operates a 16,600 square foot production facility in Toronto, Ontario, Canada.

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

Due to the fact that the Arrangement was considered to be a reverse takeover transaction, the comparative financial information of the Company for the three month period ended May 31, 2019 consists of financial information of Sproutly Inc. References to the Company in this MD&A prior to July 6, 2018 refer to Sproutly Inc. unless otherwise noted.



Recent Developments

On March 20, 2019, the Company completed the earn-out provision regarding the production of specified amount of cannabinoids using the APP technology and settled contingent consideration payable by paying the seller of SSM Partners $4,975,000.

On March 29, 2019, the Company's wholly-owned subsidiary, Toronto Herbal Remedies Inc. ("THR"), a licensed producer under the Cannabis Act, received a processing license from Health Canada (the "Processing License"). The Processing License allows THR to produce cannabis oil and related products, and will also allow the Company to conduct certain research and development activities, including the formulation of proprietary beverage products.

On April 30, 2019, the Company entered into a definitive agreement to form a joint venture (the "Joint Venture" or the "JV") with OCC Holdings Ltd., an affiliate of Moosehead Breweries Ltd. ("Moosehead"). The purpose of the JV is to develop, produce, and market non-alcoholic cannabis-infused beverages in Canada. The JV will be structured as a standalone company with its own board of directors and management team. Sproutly and Moosehead will each hold a 50% interest in the JV and have the right to nominate 3 directors. Moosehead shall appoint the Chief Executive Officer and Sproutly shall appoint the Chairperson of the board of directors of the JV. Sproutly will provide Infuz20 exclusively to the Joint Venture in Canada for the purpose of producing cannabis beverages (excluding hemp) for a period of 5 years (the "Exclusivity Period"), such Exclusivity Period being subject to a potential extension based on the Joint Venture reaching certain revenue targets. The formation of the Joint Venture is subject to the satisfaction of certain conditions, including the execution and delivery of various transaction agreements, governance documents and supply agreements.

On June 11, 2019, the Company entered into a debt settlement agreement with 2546308 Ontario Inc., whereby the Company issued 4,716,606 common shares to settle the outstanding loan balance of $3,537,455, consisting of principal of $3,125,000 and accrued interest of $412,455.

On June 17, 2019, the Company completed the first commercial sale of cannabis flower in Canada.

Outlook

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

Once the Company has obtained its licence to sell cannabis from Health Canada, the Company 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.

RESULTS OF OPERATIONS

Selected Operational Information	**For the three months ended May 31**	
	2019	**2018**
Net loss	$3,045,643	$1,472,715
Total comprehensive loss	$3,045,643	$1,472,715
Basic and diluted loss per share	$0.02	$0.04
Weight average number of common shares	182,519,072	33,925,645

The Company has no revenue to report as it is not yet earning revenues from its principal operations.

Selected Statements of Financial Position Information	**May 31, 2019**	**February 28, 2019**
	$	**$**
Cash	3,854,386	9,644,015
Biological assets	675,871	120,513
Inventories	956,411	206,232
Other working capital	546,203	1,068,583
Non-current assets	66,162,773	65,410,623
Shareholders' equity	57,351,108	56,345,360

Financial Results for the three months ended May 31, 2019 and 2018

During the three months ended May 31, 2019, the Company reported a net loss of $3,045,643 and a loss per share of $0.02, compared to a net loss of $1,472,715 and a loss per share of $0.04 for the three months ended May 31, 2018. The net loss for May 31, 2019 primarily consists of increases in general and administrative expenses of $295,095, marketing expenses of $682,696, share-based payments of $324,793, and finance and other costs of $398,847. The Company also incurred one-time loss on extinguishment of contingent cash payment of $296,965 for the period ended May 31, 2019 and a gain of extinguishment of loans of $485,055 for the period ended May 31, 2018. The company recognized an unrealized gain of $1,018,644 on changes in fair value of biological assets with nil recognized for the three months ended May 31, 2018.

General and administrative expenses increased by $295,059 for the three months ended May 31, 2019, compared to the same period in 2018. The quarter-over-quarter increase was due to the increase in size, scale and operations of the company, resulting in an increase in wages of $347,695 and general administration of $204,613. Professional fees decreased by $257,249, as the Company incurred legal and professional fees for services related to financing and reverse takeover during the three months ended May 31, 2018.

Marketing expenses increased by $682,696 during the three months ended May 31, 2019 compared to the same period in the previous year. This is due to increased spending on investor relations and brand awareness.

Share-based payments were $491,150 for the three months ended May 31, 2019, compared to $166,357 for the three months ended May 31, 2018. This increase is related to the increase in staffing levels and related option grants, as well as the amortization of option granted in prior quarters.

Financing and other costs increased to $889,959 for the three months ended May 31, 2019, an increase of $398,847 over the three months ended May 31, 2018. This was the result of an increase in interest and accretion expenses offset by decrease in financing fees.

Summary of Quarterly Results

	May 31, 2019 $	Feb 28, 2019 $	Nov 30, 2018 $	Aug 31, 2018 $	May 31 2018 $	Feb 28 2018 $	Nov 30 2017 $	Aug 31 2017 $
Production costs	-	-	15,827	-	-	-	-	-
Unrealized loss (gain) on changes in fair value of biological assets	(1,018,644)	(177,982)	28,198	-	-	-	-	-
Gross profit	(1,018,644)	(177,982)	44,025	-	-	-	-	-
General and administrative	1,513,360	1,469,971	1,128,077	538,005	1,218,301	580,814	296,600	239,228
Marketing	753,636	1,039,915	437,065	229,157	70,940	2,260	-	-
Depreciation and amortization	131,970	134,008	98,998	6,001	1,465	-	-	-
Share-based payments	491,150	609,864	604,000	408,549	166,357	87,007	88,697	89,672
Listing expense	-	-	-	4,656,288	-	-	-	-
Other expense (income)	(19,241)	7,231	47,306	43,640	9,701	32,830	20,962	3,616
Finance and other costs	889,959	871,744	459,376	79,344	491,112	18,528	67,141	657
Foreign exchange	1,290	(2,243)	990	31	-	-	-	-
Loss on settlement of contingent cash payment	296,965	-	24,064	-	-	-	-	-
Changes in fair value of contingent consideration	5,198	23,274	52,258					
Gain on extinguishment of loans	-	-	-	(766,928)	(485,055)	-	-	-
Advance receivables write-off	-	-	-	-	-	984,461	-	-
Net loss before tax	3,045,643	3,975,782	2,896,159	5,194,087	1,472,713	1,705,905	473,400	333,173
Income tax expense (recovery)	-	(962,469)	(85,610)	137,505	-	(28,648)	-	-
Net loss	3,045,643	3,013,313	2,810,549	5,331,592	1,472,713	1,677,257	473,400	333,173
Net loss per share (i)(ii)	0.02	0.02	0.02	0.04	0.02	0.05	0.02	0.02

The changes in the Company's financial results on a quarter-by-quarter basis are due primarily to the increase level of operational and finance activities undertaken to complete the construction of its facility and increase production. During the quarters within the fiscal 2019, the Company incurred costs related to the RTO, the acquisition of Infusion Biosciences and SSM Partners. The Company has no revenue to report as it is not yet earning revenues from its principal operations.

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

(ii) On July 6, 2018, the Company completed a reverse takeover transaction with Sproutly Inc. For the period in which a reverse acquisition occurs, the weighted-average number of common shares outstanding is calculated as the weighted average of:

- for the period from the beginning of the reporting period to the RTO date: the weighted average number of common shares of Sproutly Inc. (accounting acquirer) outstanding during that period multiplied by the exchange ratio established in the acquisition agreement (1:2), and

- for the period from the RTO date to the end of the reporting period: the actual number of common shares of Sproutly Canada Inc. (legal acquirer) outstanding during that period.

Financial Position, Liquidity and Capital Resources

	May 31, 2019	February 28, 2019
	$	$
Cash	3,854,386	9,644,015
Other current assets	2,178,485	1,395,328
Non-current assets	66,162,773	65,410,623
Current liabilities	5,237,703	9,127,201
Non-current liabilities	9,606,870	10,977,405
Working capital	795,168	1,912,142

As at May 31, 2019, the Company had cash available of $3,854,386 (February 28, 2019 - $9,644,015) and working capital of $795,168 (February 28, 2019 - $1,912,142). The Company used $2,199,196 in operating activities during the three months ended May 31, 2019. The Company has incurred losses to date. The Company expects to generate revenue commencing in the second quarter of fiscal 2020 and will incur losses until revenues reach a level where operations become profitable. The Company's ability to reach profitability is dependent on successful implementation of its business strategy. While Management is confident in the success and profitability of the business, there can be no assurance that Sproutly will gain adequate market acceptance for its products or be able to generate sufficient gross margins to reach profitability.

Cash from Financing Activities

During the period ended May 31, 2019, Sproutly received $136,500 from option exercises, $1,584,918 on warrant exercises and $13,161 from Broker Equity Warrant exercises. The Company also paid $168,488 in lease obligations.

Cash from Investing Activities

During the period ended May 31, 2019, Sproutly paid $4,975,000 of contingent consideration for the completion of an earn-out milestone as part of the acquisition of SSM Partner and used $181,524 for plant and equipment.

Capital Resources

To date and for the foreseeable future, the Company expects to finance its operations through the issuance of common shares until the point at which its operations are profitable and self- funding. The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and to provide sufficient cash reserves for growth and development of the business.

Capital Structure

The following table summarizes the maximum number of common shares potentially outstanding as at May 31, 2019 and as of the date of this MD&A if all outstanding options and warrants were converted to common shares:

	As of May 31, 2019	As of the date of this MD&A
Common shares	186,274,073	186,274,073
Contingent equity consideration	36,857,675	36,857,675
Options	15,660,307	15,660,311
Warrants	22,389,637	22,389,555
Convertible Debenture units	11,000,000	11,000,000
Broker Convertible Debenture units	1,182,498	1,182,498
Broker Equity Warrant units	1,586,631	1,586,631
Fully diluted	**274,950,743**	**274,950,743**

Off-Balance Sheet Arrangements

As at May 31, 2019, the Company had no off-balance sheet arrangements.

Related Party Transactions and Balances

(a) Compensation of key management personnel

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

The remuneration of key management personnel during the period ended May 31, 2019 are as follows:

	May 31, 2019	May 31, 2018
	$	$
Management compensation(i)	372,353	102,698
Share-based payments(ii)	330,930	159,175
	703,283	**261,873**

(i) As of May 31, 2019, the Company owed $44,529 to key management personnel and directors.

(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.

(b) Contingent consideration payable

The Company settled a contingent consideration payable to a related party on March 20, 2019 of $4,975,000 as part of the acquisition of SSM Partners. For the three months ended May 31, 2019, the Company recognized a change in fair value of contingent consideration of $5,198 and a loss on settlement of contingent consideration of $296,965.

Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Recent Accounting Pronouncements Adopted

For details please refer to Note 3 of the May 31, 2019 condensed interim consolidated financial statements which accompany this MD&A and are available under the Company's profile at www.sedar.com.

Financial Instruments and Other Instruments

For details please refer to Note 13, Note 14 and Note 20 of the May 31, 2019 condensed interim consolidated financial statements which accompany this MD&A and are available under the Company's profile at www.sedar.com.

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. The Company has future lease payments of $33,602.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and that required information is gathered and communicated to the Company's management so that decisions can be made about the timely disclosure of that information.

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management, including Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, the Company's management cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company has been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Risks and Uncertainties

For details please refer to the Company's Annual Information Form dated July 3, 2019 which is available under the Company's profile at www.sedar.com.

CORPORATE DIRECTORY

Trading Symbol – SPR
Exchange - CSE

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