SPROUTLY CANADA INC.

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

FOR THE THREE MONTHS ENDED MAY 31, 2021

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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 period ended May 31, 2021. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the period ended May 31, 2021, and the period ended May 31, 2020. All amounts in the MD&A are in Canadian dollars, except share and per share amounts or as indicated otherwise. The Company's accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The effective date of this MD&A is July 30, 2021.

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

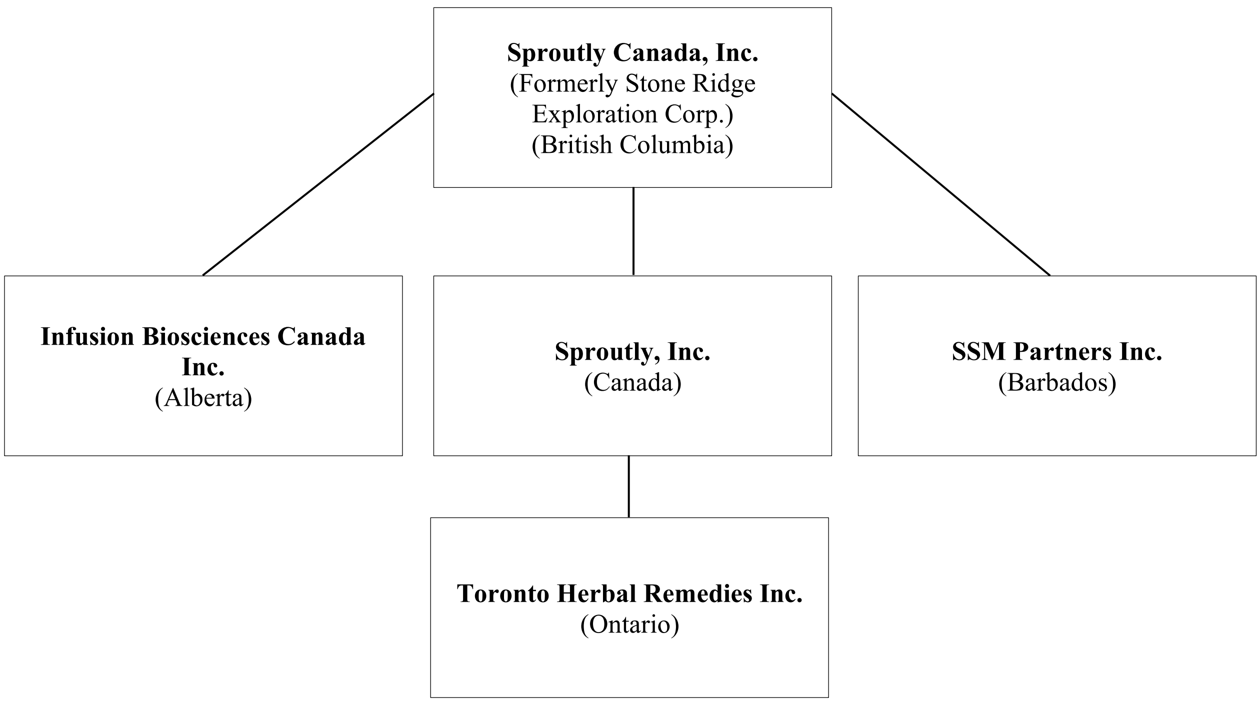
Sproutly Canada, Inc., through its wholly owned subsidiary Sproutly, Inc., is a licensed producer of medical cannabis pursuant to the Access to Cannabis for Medical Purposes Regulations (Canada) (the "ACMPR") and operates a 16,600 square foot production facility in Toronto, Ontario, Canada.

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

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

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

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



Recent Developments

On March 15, 2021, the Company announced it closed the first tranche of a financing of up to $2 million. Under the first tranche of the private placement, the Company issued 11,050,000 units of the Company at a price of $0.05 per Unit for gross proceeds of $552,500, with each Unit consisting of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at an exercise price of $0.07 for a period of two years from the date of issue.

On April 15, 2021, the Company announced that it had closed the second and final tranche of its financing. Under the final tranche of the private placement, the Company issued 15,916,037 units of the Company at a price of $0.05 per Unit for gross proceeds of approximately $795,802, with each Unit consisting of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at an exercise price of $0.07 for a period of two years from the date of issue.

On April 20, 2021, the Company announced it executed a definitive agreement with CannaHive Inc. (“CannaHive”). The agreement finalizes the commercial arrangement with CannaHive to produce Cannabis 2.0 products at THR’s licensed facility. The Agreement allows the Company to utilize CannaHive’s proprietary manufacturing and packaging equipment and intellectual property to manufacture cannabis infused confectionaries, such as gummies and candies, along with their unique cannabis dissolvable powder, at the THR facility.

On April 22, 2021, the Company announced that it had entered into a fourth supplemental indenture dated April 22, 2021 between the Company and TSX Trust Company, as trustee, which amends the terms of its convertible debenture indenture dated October 24, 2018, as amended by the first supplemental indenture dated April 24, 2020 and as further amended by the second supplemental indenture dated July 23, 2020 and as further amended by the third supplemental indenture dated September 23, 2020, and together with the Original Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, providing for the issuance of 8.0% senior unsecured convertible debentures in the aggregate principal amount of $10,750,000. Pursuant to the Fourth Supplemental Indenture, the Indenture was modified to extend the expiry date by one year, being April 24, 2022.

On May 7, 2021, the Company announced it had completed the formulation of its initial beverage products and filed with Health Canada its NNCP notification related to cannabis-infused beverages utilizing cannabis extracts produced by the APP Technology. The Company’s beverages deliver a predictable and rapid onset and offset of true to strain cannabis experiences that are not achieved by distillates and terpenes. The Company’s beverages are their second 2.0 product to be submitted, with a targeted launch in the third quarter of calendar 2021. The beverages are being launched under the Company’s Caliber brand starting with the Company’s Lemon Z and Berry White strains to deliver a Sativa and an Indica experience, respectively. Each product will be available in both a single 2 ounce (60mL) bottle with whole plant extract that contains 5mg THC, and a single 8 ounce (237mL) bottle containing 10mg THC, the maximum allowed under Canada's Cannabis Act. The products will be sold under its Health Canada licensed subsidiary, THR and leverage THR’s current provincial supply agreements within Canada.

On May 10, 2021, the Company announced that it and Infusion Biosciences Inc. (“Infusion”) entered into agreements to extend the maturity dates of both the $1 million private loan issued by Infusion to the

Company on January 28, 2020 (the "January Infusion Loan") and the $855,000 private loan issued by Infusion to the Company on August 27, 2020 (the "August Infusion Loan", collectively with the January Infusion Loan, the "Infusion Loans") to April 24, 2022. The January Infusion Loan is evidenced by a secured convertible debenture in the principal amount of $1,000,000 (the "January Debenture") which provides Infusion with the right to convert the principal and accrued interest on the January Infusion Loan into units of the Company (each, a "Unit") at a conversion price of $0.07 per Unit. Each Unit is comprised of one common share of the Company and one common share purchase warrant of the Company, with each such warrant convertible into one common share of the Company at an exercise price equal to $0.08 per share for a period of two years from the date of issue. In connection with the August Infusion Loan, the Company has also issued a secured convertible debenture in the principal amount of $855,000 (the "May Debenture"), which provides Infusion with the right to convert the principal and accrued interest on the August Infusion Loan into Units on the same terms as the January Debenture. Both of the Infusion Loans were originally due to mature on April 24, 2021, and have each been extended to a maturity date of April 24, 2022.

On May 13, 2021, the Company announced that it had executed a Definitive Agreement with Cannabis Manufacturer's Guild Ltd. ("CMG"). This agreement allows the Company to utilize brands developed by CMG and its affiliates and expand its innovative product portfolio (the "Acquired Products") that will be produced and sold through the Company's wholly-owned subsidiary, THR. The Company will leverage CMG's expertise in branding, commercialization, and distribution of cannabis products for underserved categories in the Canadian market. The Agreement will allow the Company to sell the Acquired Products and also facilitate potential business-to-business sales of the Company's proprietary whole plant extracts to CMG's network of Guild members.

On June 3, 2021, the Company announced that, pursuant to a convertible debenture indenture dated October 24, 2018 between the Company and TSX Trust Company, as trustee, the Company has received a request to convert a principal amount of $250,000 (the "Principal") under the Indenture. Pursuant to the terms of the Indenture, all accrued and unpaid interest on the converted Principal also becomes due and payable and the Company settled $8,222.22 in interest through the issuance of 91,358 common shares in the capital of the Company (the "Settlement Shares") at a price of $0.09 per Settlement Share. The holder of the convertible debenture voluntarily elected to satisfy the Interest with common shares of the Company.

On June 30, 2021, the Company announced that, pursuant to a convertible debenture indenture dated October 24, 2018 between the Company and TSX Trust Company, as trustee, the Company settled accrued and unpaid interest under the Indenture in the amount of $70,000 through the issuance of 1,166,666 common shares in the capital of the Company (the "Settlement Shares") at a price of $0.06 per Settlement Share. The Interest represents a semi-annual interest payment under the Indenture and the Interest will be fully settled upon the issuance of the Settlement Shares. The holder of the convertible debenture voluntarily elected to satisfy the Interest with common shares of the Company which will allow the Company to preserve its cash for future operations.

Outlook

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

The Company was granted an amended extract sales license from Health Canada (the "Sales License") in Q3 of this fiscal year. Under its Sales License, the Company is now authorized to manufacture and sell Cannabis 2.0 products directly to provincial distributors and other authorized Canadian retail supply channels. The Company's ability to sell Cannabis 2.0 products allows it to utilize its licensed APP Technology and offer strain specific cannabis extracts, edible and beverage products in Canada through its existing provincial sales relationships. With the completion of the partnership agreements with Cannahive and CMG, the Company is focused on the marketing and sales of innovative cannabis products.

Selected Information

	For the three months ended May 31, 2021	For the three months ended May 31, 2020
	$	$
Revenue	318,902	25,875
Net revenue	233,265	(10,818)
Gross profit (loss)	10,484	(25,506)
Expenses	519,151	909,833
Loss from operations	(508,667)	(935,339)
Net loss	(485,868)	(1,991,265)
Total comprehensive loss	(526,082)	(2,007,508)
Basic and diluted loss per share	(0.00)	(0.01)
Weighted average number of common shares	344,911,913	235,336,444

Results of Operations

Financial Results for the three months ended May 31, 2021 and May 31, 2020

During the three months ended May 31, 2021, the Company reported a net loss of $485,868 and a loss per share of $0.00, compared to a net loss of $1,991,265 and a loss per share of $0.01 for the three months ended May 31, 2020.

For the three months ended May 31, 2021, the Company generated net revenue of $233,265 from the sale of 69,720 grams of flower and incurred cost of sales of $195,619. In addition, the Company recognized $29,299 of losses related to inventory impairment and a realized gain of $2,137 in fair value adjustments on inventory sold during the quarter.

The Company sold 69,720 grams in the first quarter compared to 13,032 grams in the same period in 2020. Sales for the three months ended May 31, 2020, were significantly lower as the World Health Organization declared the outbreak of COIVD-19 as a global pandemic, which caused the Company to immediately halt operations, including sales, in order to evaluate its alternatives. At the same time, provincial buyers were reluctant to take on additional inventory from licensed producers. As a result, the Company spent most of its time and resources during the quarter restructuring the business and obtaining additional capital through financing arrangements with key investors and related parties.

The increase in sales for the three months ended May 31, 2021, were attributed to the Company acquiring premium, high THC flower under the “Caliber Reserve” brand as well as strategically pricing its lower THC counterpart that generated additional demand across provinces. While there was an increase of 56,688 grams compared to the same period in the prior year, growth was hampered by competitiveness in the flower market that was exacerbated by the COVID-19 pandemic. In addition, the Company has been shifting its resources away from the flower market and dedicating more resources to the research and development for the production of Cannabis 2.0 products utilizing the APP technology (see Recent Developments).

General and administrative expenses decreased by $68,339 for the three months ended May 31, 2021, compared to the same period in 2020. The quarter-over-quarter difference was primarily attributed to a decrease of $84,340 related to office and administration fees as the Company continues its effort in reducing expenditures. Professional fees increased by $12,260 as the Company incurred additional legal fees related to the Cannahive and CMG definitive agreements. Investor relations spending increased by $4,460 due to additional press releases for the three months ended May 31, 2021.

Depreciation decreased by $14,253 during the three months ended May 31, 2021, due to an impairment write-down of $11,743,875 on the Company's property, plant and equipment as well as intangible assets in period ended February 28, 2021.

Financing and other costs decreased to $583,307 for the three months ended May 31, 2021, a decrease of $279,482 compared to three months ended May 31, 2020. This was the result of decreases in interest expense of $71,813 and accretion of $254,719 from settlements of interest accruing convertible debentures and lower bank charges of $313. For the three months ended May 31, 2021, the Company incurred non-cash financing fees of $47,363 by issuing 947,250 Units for the March 15, 2021 and April 15, 2021 private placements.

Share-based payments decreased by $309,545 for the three months ended May 31, 2021, as compared to the same period in the previous year as there were significantly fewer unvested stock options due to forfeitures in the prior year.

During the three months ended May 31, 2021, the Company recognized a gain on extinguishment and modification of loans of $651,488 compared to nil in the same period in 2020. The Company also recognized a deferred loss of $48,626 in the current period compared to $188,961 in the same period in 2020.

Summary of Quarterly Results

	May 31, 2021	Feb 28, 2021	Nov 30, 2020	Aug 31, 2020	May 31, 2020	Feb 29 2020	Nov 30 2019	Aug 31 2019
					$	$	$	$
Revenue	318,902	210,811	69,120	344,049	25,875	246,384	640,925	133,832
Excise duties	(85,637)	(114,736)	(33,600)	(148,402)	(36,693)	(94,169)	-	-
Net Revenue	233,265	96,075	35,520	195,647	(10,818)	152,215	640,925	-
Cost of sales	195,619	162,736	77,596	295,918	63,860	294,039	363,132	133,505
Loss (reversal) related to inventory impairment	29,299	266,092	24,545	(34,942)	-	1,447,527	424,519	214,939
Gross profit (loss) before fair value adjustments	8,347	(332,753)	(66,621)	(65,339)	(74,678)	(1,589,351)	(146,726)	(214,612)
Realized fair value adjustments on inventory sold	(2,137)	(36,284)	(36,642)	(102,150)	(24,471)	97,377	277,543	36,393
Unrealized loss (gain) on changes in fair value of biological assets	-	-	-	-	(24,701)	696,112	(1,438,105)	(256,217)
Gross profit (loss)	10,484	(296,469)	(29,979)	36,811	(25,506)	(2,382,840)	1,013,836	5,212
Expenses								
General and administration	485,932	313,190	431,013	398,381	554,271	1,200,522	1,270,141	1,640,771
Marketing	8,813	2,737	6,036	6,280	7,358	972	26,547	128,042
Depreciation and amortization	14,682	28,487	28,566	30,675	28,935	158,160	137,192	136,895
Share-based payments	9,724	(681,153)	118,857	463,102	319,269	272,703	339,771	403,104
Impairment charge for non-financial assets	-	11,743,875	-	-	-	50,351,000	-	-
Loss from operations	(508,667)	(11,703,605)	(614,451)	(861,627)	(935,339)	(54,366,197)	(759,815)	(2,303,600)
Other expense (income)								
Other expense (income)	(28,805)	4,866	16,754	(41,680)	19,307	54,415	(9,526)	59,046
Finance and other costs	583,307	595,010	716,923	783,224	862,789	819,955	758,674	881,793
Government subsides	-	(76,885)	(1,500)	(20,213)	-	-	-	-
Foreign exchange	29,051	12,358	3,254	31,488)	(15,131)	(1,522)	4,055	6
Gain on disposal of assets	-	-	-	(20,892)	-	-	-	-
Gain on sublease	-	-	-	(9,525)	-	-	-	-
Loss (Gain) on extinguishment and modification of loans	(651,488)	42,740	(663,167)	22,572	-	-	-	(356,234)
Loss on convertible loan financing	48,626	(730)	117,552	185,646	189,964	80,528	-	-
Gain on related party loan	(3,490)	(4,689)	(21,936)	(13,415)	(1,003)	-	-	-
Gain on extinguishment of lease obligation	-	-	-	-	-	(18,304)	-	-
Net loss before tax	(485,868)	(12,276,275)	(782,331)	(1,778,832)	(1,991,265)	(55,301,269)	(1,513,018)	(2,888,211)
Income tax recovery	-	(416,756)	-	-	-	(1,137,144)	-	-
Net loss	(485,868)	(11,859,519)	(782,331)	(1,778,832)	(1,991,265)	(54,164,125)	(1,513,018)	(2,888,211)
Net loss per share (i)	-	(0.04)	-	(0.01)	(0.01)	(0.24)	(0.01)	(0.02)

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

Liquidity and Capital Resources

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

		May 31, 2021		February 28, 2021
Cash	$	386,392	$	171,818
Other current assets		1,220,216		746,446
Non-current assets		3,268,331		3,279,696
Current liabilities		8,541,152		9,702,447
Non-current liabilities		107,880		109,202
Working capital deficit		(6,934,544)		(8,784,183)

As at May 31, 2021, the Company had cash available of $386,392 (February 28, 2021 - $171,818) and a working capital deficit of $6,934,544 (February 28, 2020 - working capital of $8,784,183).

Cash from Operating Activities

The Company used $701,907 in operating activities during the three months ended May 31, 2021. The Company has incurred losses to date. The Company’s subsidiary, THR, received its flower sales license from Health Canada effective October 16, 2019, and its extracts sales license effective October 15, 2020. As a result, the Company began to generate revenue from the sale of flower through authorized distributors and retailers near the end of the fiscal year ended February 29, 2020, and has yet to record revenue related to Cannabis 2.0 products.

Cash from Financing Activities

During the three months ended May 31, 2021, Sproutly received proceeds of $1,030,746 from a private placement and re-paid $150,000 for a related party loan. The Company paid $4,916 in lease obligations and received $7,373 in sublease payments.

Cash from Investing Activities

During the three months ended May 31, 2021, Sproutly used $7,186 for plant and equipment.

Liquidity Outlook

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

The Company acknowledges that there is material uncertainty over the Company's ability to meet its funding requirements as they fall due. The Company’s ability to continue in the normal course of operations is dependent on its ability to raise additional capital through debt and equity financings or refinancing debt as it comes due. While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in closing further financing in the future. Also, there can be no assurance that additional financing can be obtained in a timely manner, or at all, especially in light of the potential impact of COVID-19 on capital markets. Accessing the capital markets can be particularly challenging for companies operating in the cannabis industry. The Company has established and put into motion various initiatives to reduce costs and expand revenues as part of the Company's strategic plan to attain profitability and positive cash flow in Fiscal 2022.

Capital Structure

The following table summarizes the maximum number of common shares potentially outstanding as at May 31, 2021 and as of the date of this MD&A if all outstanding options and warrants were converted to common shares:

	As of May 31, 2021	As of the date of this MD&A
Common shares	359,056,923	360,314,947
Options	19,274,139	19,274,139
Warrants	29,413,287	29,413,287
Convertible Debenture units	29,166,667	29,166,667
Infusion Biosciences Convertible Bridge Loan	33,597,075	34,714,919
Related Party Loan	28,565,307	29,275,020
Fully diluted	**499,073,398**	**502,158,979**

As at May 31, 2021, the Company had no off-balance sheet arrangements.

Related Party Transactions and Balances

(a) Compensation of key management personnel

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

The remuneration of key management personnel during the period ended May 31, 2021 are as follows:

	May 31, 2021	May 31, 2020
	$	$
Management compensation(i)(ii)	72,828	84,056
Share-based payments(iii)	(13,410)	154,633
	59,418	**238,689**

(i) Management compensation consisted of salaries for the Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer, Chief Science Officer and Vice President of Marketing and Sales.

(ii) As of May 31, 2021, the Company owed $134,478 to key management personnel and directors.

(iii) Share-based payments are the fair value of options granted and vested to key management personnel and directors of the Company under the Company's stock option plan (Note 17). For the three months ended May 31, 2021, a net recovery of $13,410 was recorded due to forfeiture of unvested stock options of a terminated executive officer.

(b) Related party loan

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

(c) Convertible bridge loan

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

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

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

(e) Private placement

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

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, 2021, financial statements which accompany this MD&A and are available under the Company's profile at www.sedar.com.

Recent Accounting Pronouncements Not Yet Effective

For details, please refer to Note 3 of the May 31, 2021, financial statements which accompany this MD&A and are available under the Company's profile at www.sedar.com.

Financial Instruments and Other Instruments

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

Financial Assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequent measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are

	recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.
Equity investments at FVOCI	These assets are subsequent measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI. Changes in fair value are recognized in OCI and are never recycled to profit and loss, even if the asset is sold or impaired.

Financial Liabilities

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

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

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

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

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

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

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

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. As at May 31, 2021, cash, trade receivables, accounts payable and accrued liabilities, on-demand loans approximate their fair value due to their short-term nature. The initial fair value of the Company's loans and borrowings as well as convertible loans payable have been measured using Level 3 valuation methods and are classified at amortized costs and accounted for using the effective interest rate method.

The carrying values of financial instruments as at May 31, 2021 are summarized in the following table:

	Amortized Costs	FVTPL	Total
Financial assets			
Cash	$386,392	-	$386,392
Receivables	137,745	-	137,745
Financial liabilities			
Accounts payable and accrued liabilities	2,110,966	-	2,110,966
Loans and borrowings	3,298,619	-	3,298,619
Convertible loan payable	3,043,682	-	3,043,682

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

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

(a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Receivables are comprised of 8% GST and HST. The Company has assessed ECL in accordance to IFRS 9 and management determined ECL to be nominal due to the type of receivables.

(b) Concentration risk

Excluding GST and HST receivables, the Company's accounts receivables for the period ended May 31, 2021, are primarily due from two provincial government agencies representing 100% (May 31, 2020 – 100%) of total revenue.

(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 May 31, 2021, the Company had current assets of $1,606,608 to settle current liabilities of $8,541,152.

The Company has the following undiscounted loan obligations as at May 31, 2021, which are expected to be payable in the following respective periods:

	$
Less than 1 year	6,900,448
1 to 3 years	120,000
	7,020,448

Subsequent to the three months ended May 31, 2021, the Company is closely monitoring its risks to its operations due to the outbreak of COVID-19. Factors that could impact production, prices or demand of its products that can materially impact cash the Company's cash flow from operations, which could result in a cash shortfall and/or default in financial obligations.

Commitments

On January 1, 2021, the Company entered into a one-year building lease agreement for monthly payments of $1,000 expiring on December 31, 2021. Future lease payments of the remaining lease are $7,000.

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

Risks and Uncertainties

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

CORPORATE DIRECTORY

Trading Symbol – SPR
Exchange - CSE

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Craig Loverock – CFO, Corporate Secretary and Director
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