Sproutly Canada Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended November 30, 2021 and November 30, 2020
(In Canadian Dollars)

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements. These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

Sproutly Canada Inc.
Condensed Interim Consolidated Statements of Financial Position
As at November 30, 2021 and February 28, 2021
(Unaudited – Expressed in Canadian Dollars)

	Notes	November 30, 2021	February 28, 2021
			$
Assets			
Current Assets			
Cash		75,906	171,818
Accounts receivable	6	81,466	94,864
Inventories	8	403,975	468,044
Prepaid and other assets		154,849	158,240
Net investment in the lease	11	23,156	25,298
Deferred loss	15(ii), 15(iii)	271,183	-
		1,010,535	918,264
Non-Current Assets			
Property, plant and equipment	9	3,760,898	3,225,522
Net investment in the lease	10	41,765	54,174
Total assets		**4,813,198**	**4,197,960**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	13, 18	2,627,703	2,649,765
Deferred revenue		-	23,593
Deferred rent		11,774	25,000
Lease obligations	12	21,776	20,045
Loans and borrowings	14	3,411,728	4,062,599
Convertible loans payable	15	3,344,492	2,917,955
Deferred gain	14	68,388	3,490
		9,485,861	9,702,447
Non-Current Liabilities			
Lease obligations	12	47,382	60,996
Loans and borrowings	14	234,755	48,206
Total liabilities		**9,767,998**	**9,811,649**
Equity			
Share capital	16	81,943,599	80,120,572
Reserves		8,316,858	7,549,221
Accumulated other comprehensive loss		33,151	38,229
Accumulated deficit		(95,248,408)	(93,321,711)
Total deficit		**(4,954,800)**	**(5,613,689)**
Total liabilities and equity		**4,813,198**	**4,197,960**

Nature and continuance of operations (Note 1)
Commitments (Note 23)
Subsequent events (Note 24)

Approved on behalf of the board January 28, 2022

"Arup Sen" , Director

"Con Constandis" , Director

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

Sprouty Canada Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended November 30, 2021 and November 30, 2020
(Unaudited – Expressed in Canadian Dollars)

	Notes	Three Months Ended November 30, 2021	Three Months Ended November 30, 2020	Nine Months Ended November 30, 2021	Nine Months Ended November 30, 2020
		$	$	$	$
Revenue		121,181	69,120	486,626	439,044
Excise recovery (duties)	8	(26,543)	(33,600)	(49,150)	(218,695)
Net revenue		94,638	35,520	437,476	220,349
Cost of sales	8	110,468	77,596	335,794	437,374
Loss (recovery) related to inventory impairment	8	10,971	24,545	49,754	(10,387)
Gross profit (loss) before fair value adjustments of biological assets		(26,801)	(66,621)	51,928	(206,638)
Realized fair value adjustments on inventory sold	8	(226)	(36,642)	(3,214)	(163,263)
Unrealized loss on changes in fair value of biological assets		-	-	-	(24,701)
Gross profit (loss)		(26,575)	(29,979)	55,142	(18,674)
Operating Expenses					
General and administration	19	567,127	431,013	1,526,190	1,383,665
Marketing		1,920	6,036	14,066	19,674
Depreciation and amortization	9, 10, 12	15,019	28,566	44,651	88,176
Share-based payments	17	20,147	118,857	58,743	901,228
Total operating expenses		604,213	584,472	1,643,650	2,392,743
Loss from Operations		630,788	614,451	1,585,508	2,411,417
Other Expenses (Income)					
Other income		(27,559)	16,754	(148,041)	(5,619)
Finance and other costs	20	376,797	716,923	1,362,036	2,362,936
Foreign exchange		(9,506)	3,254	(10,062)	19,611
Gain on disposal of assets	9	-	-	(12,938)	(20,892)
Gain on bargain purchase	5	-	-	(574,289)	-
Gain on sublease	11	-	-	-	(9,525)
Gain on extinguishment and modification of loans	14(b), 15(i), 15(ii)	-	(663,167)	(653,772)	(640,595)
Recognition of deferred loss on convertible loan payables	15(ii), 15(iii)	170,191	117,554	390,878	497,481
Recognition of deferred gain on loans and borrowings	14(b), 14(i)	(10,037)	(21,938)	(15,623)	(40,673)
Government subsidies		-	(1,500)	-	(21,713)
		499,886	167,880	338,189	2,141,011
Net loss for the year		1,130,674	782,331	1,926,697	4,552,428
Other comprehensive loss					
Other Comprehensive loss that may be reclassified to net loss					
Foreign currency translation loss (gain)		11,754	(4,663)	5,078	(26,466)
Total comprehensive loss for the year		**1,142,428**	**777,668**	**1,931,775**	**4,525,962**
Basic and diluted loss per share		-	-	(0.01)	(0.02)
Weighted average number of shares outstanding					
Basic and diluted		362,744,415	279,176,471	355,833,609	256,660,309

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

Sproutly Canada Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the three and nine months ended November 30, 2021 and 2020
(Unaudited – Expressed in Canadian Dollars)

		Share Capital		Reserves						
	Notes	**Common Shares**	**Amount**	**Share-Based Compensation**	**Warrants**	**Convertible Notes Reserves**	**Total Reserves**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total**
		#	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, February 29, 2021		326,910,820	80,120,572	4,077,508	2,896,325	575,388	7,549,221	38,229	(93,321,711)	(5,613,689)
Net loss and comprehensive loss for the period									(1,926,697)	(1,926,697)
Conversion of notes	15(i)	4,166,666	216,196	-	-	(6,717)	(6,717)	-	-	209,479
Share-based payment	16(c)	2,000,000	100,000	-	-	-	-	-	-	100,000
Private placement	4, 16(c)	26,966,037	1,326,548	-	-	-	-	-	-	1,326,548
Finder's fee on private placement	4, 16(c)	947,250	47,363	-	-	-	-	-	-	47,363
Issuance of shares interest repayments	15(i), 16(c)	2,182,177	122,373	-	-	-	-	-	-	122,373
Equity feature of related party convertible loan payable	15(iii)	-	-	-	-	662,061	662,061	-	-	662,061
Stock option exercise	16(c), 17	50,965	10,547	(10,297)	-	-	(10,297)	-	-	250
Foreign currency translation		-	-	-	-	-	-	(5,078)	-	(5,078)
Share-based compensation	17	-	-	122,590	-	-	122,590	-	-	122,590
Balance, November 30, 2021		363,223,915	81,943,599	4,189,801	2,896,325	1,230,732	8,316,858	33,151	(95,248,408)	(4,954,800)

		Share Capital		Reserves						
	Notes	**Common Shares**	**Amount**	**Share-Based Compensation**	**Warrants**	**Convertible Notes Reserves**	**Total Reserves**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total**
		#	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, February 29, 2020		227,951,248	73,188,162	3,911,416	2,896,325	776,880	7,584,621	-	(76,909,764)	3,863,019
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	(4,552,428)	(4,552,428)
Conversion of notes	16(c)	47,659,521	3,840,515	-	-	(133,791)	(133,791)	-	-	3,706,724
Private Placement	16(c)	1,500,000	105,000	-	-	-	-	-	-	105,000
Issuance of shares for loan and interest repayments	16(c)	7,655,113	531,915	-	-	-	-	-	-	531,915
Issuance of shares for liability settlements	16(c)	3,990,867	251,641	-	-	-	-	-	-	251,641
Foreign currency translation		-	-	-	-	-	-	26,466	-	26,466
Share-based compensation	17	-	-	947,878	-	-	947,878	-	-	947,878
Balance, November 30, 2020		288,756,749	77,917,233	4,859,294	2,896,325	643,089	8,398,708	26,466	(81,462,192)	4,880,215

Sproutly Canada Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended November 30, 2021 and 2020
(Unaudited – Expressed in Canadian Dollars)

	Notes	Nine Months Ended November 30, 2021	2020
		$	$
Cash Provided by (used in) Operating Activities			
Net loss		(1,926,697)	(4,552,428)
Adjusted for non-cash items			
Realized fair value adjustments on inventory sold		(3,214)	(163,263)
Unrealized loss on changes in fair value of biological assets	7	-	(24,701)
Loss (reversal) related to inventory impairment	8	49,754	(10,387)
Depreciation of property, plant and equipment	9, 12	44,651	60,579
Amortization of intangible asset	10	-	27,597
Share-based payment	16(c)	100,000	-
Share-based compensation	17	122,590	947,878
Accretion expense	20	696,961	1,581,915
Financing fees	4	47,363	-
Finance lease income	11	(7,834)	(5,207)
Interest expense on lease obligations	12	8,044	9,985
Gain on sublease	11	-	(9,525)
Gain on disposal of assets	9	(12,938)	(20,892)
Gain on bargain purchase	5	(574,289)	-
Gain on extinguishment and modification of loans	14(b), 15(i), 15(ii)	(653,772)	(646,870)
Recognition of deferred loss on convertible loan payables	15(ii), 15(iii)	390,878	497,481
Recognition of deferred gain on loans and borrowings	14(b), 14(i)	(15,623)	(40,673)
Change in non-cash operating working capital			
Trade receivables		35,844	-
GST receivables		5,545	136,187
Other receivables		(27,991)	87,959
Biological assets		-	5,186
Inventories		129,579	91,008
Prepaid expenses		3,391	(1,628)
Accounts payable and accrued liabilities		343,409	1,020,614
Deferred rent		(36,819)	-
		(1,281,168)	(1,009,185)
Proceeds from (repayment of) Financing Activities			
Sublease payment received	11	22,385	11,502
Lease obligations	12	(19,927)	(21,935)
Related party short-term loan	14(h)	161,728	-
Third party loan	14(i)	250,000	-
Private placement	4	1,030,746	-
Related party non-interest bearing loan with BNO Holdings Ltd.	14(c)	(150,000)	-
On-demand loan	14(e)	-	105,000
Related party loan	14(b)	-	855,000
Line of credit	14(d)	-	80,000
Shares issued for option exercise	16(c), 17	250	-
		1,295,182	1,029,587
Cash Provided by (Used in) Investing Activities			
Purchase of property, plant and equipment		(117,786)	(7,103)
Disposal of property, plant and equipment	9	12,938	26,000
		(104,848)	18,897
Foreign exchange		(5,078)	26,466
Net change in cash		(95,912)	65,745
Cash, beginning of period		171,818	32,287
Cash, ending of period		**75,906**	**98,032**
Supplemental disclosure of cash flow information			
Cash paid during the period for interest		243,973	162,945

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

1. Nature and continuance of operations

Sproutly Canada Inc. (on a consolidated basis "the Company" or "Sproutly Canada"), was incorporated on January 26, 2012, under the British Columbia Business Corporations Act. On July 6, 2018, the Company acquired Sproutly Inc. ("Sproutly") through a reverse acquisition transaction. 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"). THR was incorporated on January 13, 2013, under the Ontario Business Corporation Act. 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 March 29, 2019, Health Canada granted THR a processing license to produce cannabis oil and related products and will allow the Company to conduct certain research and development activities. On October 15, 2020, Health Canada granted THR an amended extract sales license authorizing THR to manufacture and sell Cannabis 2.0 products directly to provincial distributors and other authorized Canadian retail supply channels.

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"). IBS Canada was incorporated on February 28, 2018, under the Alberta Business Corporations Act. SSM Partners was incorporated on March 1, 2018, under the Companies Act of Barbados with International Business Company status.

On October 26, 2018, the Company commenced the process of growing cannabis with amounts classified as biological assets and inventories. As at February 28, 2021, the Company had ceased all cultivation activities and harvested all biological assets to inventory.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic, which led to unprecedented impacts on both the Company and the world. When lockdowns first began in March of 2020, the Company's cannabis sales declined significantly and several key financing opportunities came to an immediate halt.

As a result, the Company took drastic measures to ensure its viability as it:

- Reduced operational spending by halting the cultivation of flower and trim;
- Entered into financing arrangements through loans and private placements with key investors and related parties;
- Entered into extension agreements for loan payables and convertible loans payable due in the current year;
- Settlement of interest payables, accounts payables and payroll indebtedness through issuance of the Company's common shares; and
- Applied and received various government grants and subsidies

The ultimate extent of the impact of the continuing impact of COVID, as well as any other epidemic, pandemic or other health crisis on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, have had a material impact on the Company's revenues, net loss and working capital. These impacts and future impacts could have additional material and adverse effects on the Company's business, financial condition and results of operations.

2. Basis of presentation

a) Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations.

As of November 30, 2021, the Company had a working capital deficit of $8,475,326 (February 28, 2021 - $8,784,183) and an accumulated deficit of $95,248,408 (February 28, 2021 - $93,321,711). During the nine months ended November 30, 2021, the Company used cash in operating activities of $1,281,168 (November 30, 2020 - $1,009,185), resulting primarily from the net loss of $1,926,697 (November 30, 2020 - $4,552,428) offset by items not affecting cash such as depreciation, amortization and stock based compensation of $642,529 (November 30, 2020 - $3,543,243). The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and to generate sufficient revenues and positive cash flows from its operating activities to meet its obligations and fund its planned investments and operations.

The Company may need to reschedule its current debt obligations or obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that the existing debt obligations will be rescheduled or that additional funding will be available to the Company, or, if available, that this financing will be on acceptable terms. If existing debt obligations are not rescheduled or adequate financing is not available, the Company may be required to delay or reduce the scope of any or all of its projects. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from investing, financing and or operating activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these financial statements should such events impair the Company's ability to continue as a going concern.

b) Interim Financial Reporting

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as those disclosed in the Company's annual audited consolidated financial statements for the year ended February 28, 2021.

These condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements for the year ended February 28, 2021, which are made available on SEDAR at www.sedar.com.

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue by the Board of Directors of the Company on January 28, 2022.

c) 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.

Acquisition of subsidiaries are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the fair value amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Transaction costs other than those associated with the issue of debt or equity securities that the Company incurs in connection with a business combination are expensed as incurred.

d) Basis of measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period and certain equity instruments and warrants that are within the scope of IFRS 2 – Share-based payments ("IFRS 2").

2. Basis of presentation (continued)

e) Functional and presentation of foreign currency

The condensed interim consolidated financial statements are presented in Canadian dollars as this is the currency of the primary economic environment in which the Company operates. The functional currencies of the Company and its subsidiaries are as follows:

- SSM Partners is in US dollars; and
- Sproutly Canada and its remaining subsidiaries are in Canadian dollars

f) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized in the consolidated statement of loss and comprehensive loss. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive loss and accumulated in equity.

g) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Company’s condensed interim consolidated financial statements under IFRS requires management to make judgements, estimates, and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised as well as future periods that are affected.

Significant judgements, estimates and assumptions within these unaudited condensed interim consolidated financial statements, unless stated herein, remain the same as those applied to the annual consolidated financial statements for the year ended February 28, 2021, with the exception of:

COVID-19 estimation uncertainty

The Company continues to monitor the evolution of the COVID-19 pandemic. The extent to which the COVID-19 pandemic may impact the Company’s business and activities will depend on future developments which remain highly uncertain and cannot be predicted with confidence, such as the spread and severity of the disease, the duration of the outbreak including any possible resurgence, and actions taken by authorities to control the spread of the virus, the impact of the pandemic on spending, and the ability or willingness of suppliers and vendors to provide products and services.

Any of these developments, and others, could have a material adverse effect on the Company’s business, affairs, operations, results of operations, financial condition, liquidity, availability of credit and foreign exchange exposure. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company’s financial statements could change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of non-current assets and a change in the expected credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts on its business.

3. Significant accounting policies

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2021 annual consolidated financial statements and as described in these condensed interim consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Adoption of new accounting pronouncements

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments revise the existing requirements for hedge accounting and are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as Interbank Offered Rate ("IBOR"). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Company adopted the Amendments to IFRS 9, IAS 39 and IFRS 7 effective March 1, 2020, with no impact to the Company's condensed interim consolidated financial statements.

New accounting pronouncements

The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

4. Private Placement

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 (the "Units") 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. All securities issued in connection with the private placement are subject to a four month and a day transfer restriction from the date of issuance. The placement was completed for the purposes of supporting the Company's general working capital. Under the first tranche of the private placement, in consideration for their services, the Company paid finder's fees in the amount of $24,863 through the issuance of 497,250 Units on the same terms as described above.

(Unaudited – Expressed in Canadian Dollars)

4. Private Placement (continued)

On April 15, 2021, the Company announced that it closed the second and final tranche of its financing. Under the final tranche of the private placement, the Company issued 15,916,037 Units at a price of $0.05 per Unit for gross proceeds of approximately $795,802. All securities issued in connection with the private placement are subject to a four month and a day transfer restriction from the date of issuance. The placement was completed for the purposes of supporting the Company's general working capital. In connection with the private placement, in consideration for their services, the Company paid finder's fees in the amount of $22,500 through the issuance of 450,000 Units on the same terms as described above. Under the private placement, Dr. Arup Sen, Chief Executive Officer and Director of the Company, purchased 3,000,000 Units through a company controlled by Dr. Sen. His participation is considered to be a "related party transaction" as defined under Multilateral Instrument 61-101 ("MI 61-101").

As the trading share price on March 15, 2021, and April 15, 2021, were higher than the Unit price of $0.05, the Company assigned all proceeds and finder's fees to share capital. As part of the financing, the Company incurred transaction costs of $21,754 which was recorded as a reduction to equity.

5. Asset acquisition

On August 13, 2021, the Company acquired the assets of CannaHive Inc. ("Cannahive") which consisted of $566,045 of production equipment, $57,560 of cannabis extracts and $194,749 of supplies and consumables for the purpose of manufacturing cannabis confectionaries. The transaction was determined to be an asset acquisition as it does not meet the definition of a business in accordance with IFRS 3.

The consideration paid for the equipment and inventories consisted of $150,000 in cash and settlement of $94,065 of receivables owed by Cannahive to the Company. The difference of $574,289 between the value of the assets acquired and consideration was recorded as a gain on bargain purchase in the statement of loss and comprehensive loss.

6. Accounts receivable

	November 30, 2021	February 28, 2021
	$	$
Trade receivables	12,512	48,356
GST and HST receivable	35,322	40,867
Other receivable	33,632	5,641
	81,466	**94,864**

7. Biological assets

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

	November 30, 2021	February 28, 2021
	$	$
Beginning Balance	-	10,401
Production costs prior to harvest capitalized	-	31,579
Biological assets disposed prior to harvest	-	(23,074)
Changes in fair value less cost to sell due to biological transformation	-	24,701
Transferred to inventory upon harvest	-	(43,607)
Ending Balance	**-**	**-**

(Unaudited – Expressed in Canadian Dollars)

7. Biological assets (continued)

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/trim 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 were 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).

As of November 30, 2021, the Company had fully harvested all of its biological assets.

8. Inventories

The following is a breakdown of inventory as at November 30, 2021:

	November 30, 2021 **$**	**February 28, 2021** **$**
Dry cannabis	143,398	458,845
Cannabis extracts	57,560	-
Supplies and consumables	203,017	9,199
	403,975	**468,044**

For the three and nine months ended November 30, 2021, the Company capitalized $11,062 and $43,231 respectively, of production costs (three and nine months ended November 30, 2020 – $32,148 and $239,545) related to post-harvest activities and held 112,812 grams of dry cannabis (November 30, 2020 – 385,226 grams of dry cannabis and 212,834 grams of trim).

During the three and nine months ended November 30, 2021, the Company recognized cost of goods sold of $110,469 and $335,794 respectively (three and nine months ended November 30, 2020 - $77,596 and $437,374) and income related to changes in fair value of inventory sold of $226 and $3,214 (three and nine months ended November 30, 2020 - $36,642 and $163,263). In addition, the Company recognized an inventory impairment of $10,972 and $49,754 for the three and nine months respectively ended November 30, 2021 (three and nine months ended November 30, 2020 – impairment of $24,545 and reversal related to inventory impairment of $10,387) on specific harvests due to net book value exceeding its net realizable value as well as disposal of trim.

For the nine months ended November 30, 2021, the Company held 10,000 grams of extracts (November 30, 2020 – nil).

During the nine months ended November 30, 2021, the Company was awarded a reduction of $80,433 in excise duties from an appeal filed in the prior year. During the time of appeal, management determined that the likelihood of success was low and therefore the amount is recorded as an excise tax recovery in the current year.

(Unaudited – Expressed in Canadian Dollars)

9. Property, plant and equipment

	Land	Building & Improvements	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Total
Costs	**$**	**$**	**$**	**$**	**$**	**$**
Balance, February 29, 2020	1,098,550	10,229,385	87,423	2,021	836,228	12,253,607
Additions	-	4,100	-	-	3,003	7,103
Disposal	-	-	-	(2,021)	(35,458)	(37,479)
Balance, February 28, 2021	1,098,550	10,233,485	87,423	-	803,773	12,223,231
Additions	-	3,867	2,821	-	573,390	580,078
Disposal	-	-	-	-	(34,672)	(34,672)
Balance, November 30, 2021	**1,098,550**	**10,237,352**	**90,244**	**-**	**1,342,491**	**12,768,637**

	Land	Building & Improvements	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Total
Accumulated depreciation and impairment	**$**	**$**	**$**	**$**	**$**	**$**
Balance, February 29, 2020	-	8,048,622	77,520	2,021	670,439	8,798,602
Depreciation	-	57,891	5,996	-	15,230	79,117
Disposal	-	-	-	(2,021)	(30,350)	(32,371)
Impairment	-	-	3,907	-	148,454	152,361
Balance, February 28, 2021	-	8,106,513	87,423	-	803,773	8,997,709
Depreciation	-	43,662	542	-	498	44,702
Disposal	-	-	-	-	(34,672)	(34,672)
Balance, November 30, 2021	**-**	**8,150,175**	**87,965**	**-**	**769,599**	**9,007,739**
Net Book Value						
February 28, 2021	**1,098,550**	**2,126,972**	**-**	**-**	**-**	**3,225,522**
November 30, 2021	**1,098,550**	**2,087,177**	**2,279**	**-**	**572,892**	**3,760,898**

The Company completed construction of a 16,600 square foot production facility at THR located at Scarborough, Ontario on September 12, 2018. Costs related to the construction of this facility were initially capitalized as construction in progress and subsequently allocated to building and equipment. Borrowing costs from loans to fund the construction of the facility were also capitalized and allocated to building upon completion. Depreciation commenced when construction had been completed and the facility was available for use.

Depreciation related to building and improvements, and production equipment was capitalized as part of production costs within biological assets and dry cannabis inventory. During the three and nine months ended November 30, 2021, $19 and $53 respectively (three and nine months ended November 30, 2020 – $67 and $5,828) of depreciation was capitalized.

During the nine months ended November 30, 2021, the Company disposed of equipment with a net book value of nil (November 30, 2020 - $5,108) for proceeds of $12,938 (November 30, 2020 – $26,000) and recognized a gain on disposal of assets of $12,938 (November 30, 2020 – $20,892).

During the year ended February 28, 2021, the Company recognized non-cash impairment charges to its single CGU. As a result, the Company recognized impairment of $152,361 based on the carrying value being the higher of fair value less costs of disposal or nil on each class of property, plant and equipment.

10. Intangible assets and goodwill

	ACMR License	Technology License in Process	Goodwill	Total
Costs	**$**	**$**	**$**	**$**
Balance, February 29, 2020	6,631,931	46,012,157	1,322,544	53,966,632
Additions	-	-	-	-
Balance, November 30, 2020	6,631,931	46,012,157	1,322,544	53,966,632
Additions	-	-	-	-
Balance, February 28, 2021	6,631,931	46,012,157	1,322,544	53,966,632
Additions	-	-	-	-
Balance, November 30, 2021	**6,631,931**	**46,012,157**	**1,322,544**	**53,966,632**

(Unaudited – Expressed in Canadian Dollars)

10. Intangible assets and goodwill (continued)

	ACMR License	Technology License in Process	Goodwill	Total
Accumulated amortization and impairment	**$**	**$**	**$**	**$**
Balance, February 29, 2020	5,215,275	35,800,503	1,322,544	42,338,322
Amortization	9,199	-	-	9,199
Balance, November 30, 2020	5,224,474	35,800,503	1,322,544	42,347,521
Amortization	27,597	-	-	27,597
Impairment	1,379,860	10,211,654	-	11,591,514
Balance, February 28, 2021	6,631,931	46,012,157	1,322,544	53,966,632
Amortization	-	-	-	-
Balance, November 30, 2021	**6,631,931**	**46,012,157**	**1,322,544**	**53,966,632**
Net book value, February 28, 2021	**-**	**-**	**-**	**-**
Net book value, November 30, 2021	**-**	**-**	**-**	**-**

During the year ended February 28, 2021, the Company recognized non-cash impairment charges to its single CGU. As a result, the Company recognized impairment of $11,591,514 related to intangible assets.

11. Net investment in the lease

On July 1, 2020, the Company acted as an intermediate lessor and entered in a sublease agreement for one of its facilities. As the intermediate lessor, the Company accounted the head lease and the sublease as two separate contracts. Sproutly Canada has accounted for the sublease as a finance lease in which amounts due are recognized as net investment in the lease on the condensed interim consolidated statement of financial position. Net investment in the lease is the gross investment in the lease discounted using the incremental borrowing rate of 14% used to record the lease liability associated with the head lease (Note 12(c)). The gross investment in the lease is the sum of lease payments receivable by the Company under the finance lease and any unguaranteed residual value accruing to the Company. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return to the Company's net investment outstanding in respect of the sublease. For the three and nine months ended November 30, 2021, the Company recognized finance lease income of $2,413 and $7,834 respectively (three and nine months ended November 30, 2020 – $2,960 and $5,207).

Upon recognizing the net investment in the lease, the Company derecognized the right-of-use asset associated with the sublease with the difference recorded as a gain on sublease of $9,525.

Information about the net investment in the lease for which the Company is an intermediate lessor is presented below.

(a) Net investment in the lease

	$
Balance, February 29, 2020	-
Addition	90,237
Finance lease income	5,207
Payment received	(11,502)
Balance, November 30, 2020	83,942
Finance lease income	2,903
Payment received	(7,373)
Balance, February 28, 2021	79,472
Finance lease income	7,834
Payment received	(22,385)
Balance, November 30, 2021	64,921
Balance, November 30, 2021 – Current Portion	23,156
Balance, November 30, 2021 – Non- Current Portion	41,765

(Unaudited – Expressed in Canadian Dollars)

11. Net investment in the lease (continued)

(b) Maturity analysis of lease payments receivable

The following represents a maturity analysis of the Company's undiscounted lease payments receivable and potential exposures as at November 30, 2021.

Contractual obligations	Less than one year	One to five years	Total
	$	$	$
Lease payments receivable	30,399	46,747	77,146

12. Leases

Information about leases for which the Company is a lessee is presented below.

(a) Right-of-use assets

The Company's leasing activities include the lease of office and production premises.

Costs	$
Balance, February 29, 2020	102,571
Additions	-
Disposal	(102,571)
Balance, November 30, 2020	-
Additions	-
Balance, February 28, 2021	-
Additions	-
Balance, November 30, 2021	**-**

(a) Right-of-use assets

Accumulated Depreciation	$
Balance, February 29, 2020	15,134
Depreciation	6,726
Disposal	(21,860)
Balance, November 30, 2020	-
Depreciation	-
Balance, February 28, 2021	-
Depreciation	-
Balance, November 30, 2021	**-**
Net Book Value	
February 28, 2021	**-**
November 30, 2021	**-**

(b) Maturity analysis of lease obligations

The following represents a maturity analysis of the Company's undiscounted contractual lease obligations and potential exposures as at November 30, 2021.

Contractual obligations	Less than one year	One to five years	Total
	$	$	$
Lease obligations payments	32,856	49,365	82,221

The Company has applied the recognition exemption to short-term leases, which are therefore not recognized in the consolidated statements of financial position.

(Unaudited – Expressed in Canadian Dollars)

12. Leases (continued)

(c) Supplemental disclosure

The Company used an incremental borrowing rate of 14% to determine the present value of minimum lease payments. For the three and nine months ended November 30, 2021, the Company recognized $2,485 and $8,044 respectively of interest expense (three and nine months ended November 30, 2020 – $3,032 and $9,985) on lease obligations and $23,360 (November 30, 2020 – $49,589) of lease payments recognized in the consolidated statements of loss and comprehensive loss. For the three and nine months ended November 30, 2021, the total cash outflow relating to leases amount to $42,943 (November 30, 2020 - $71,794).

13. Accounts payable and accrued liabilities

	November 30, 2021	**February 28, 2021**
	$	**$**
Interest payable	669,984	379,573
Trade payables	1,601,163	1,852,350
Other payables	356,556	417,842
	2,627,703	**2,649,765**

14. Loans and borrowings

As at November 30, 2021, the Company held the following loans and borrowings:

		November 30, 2021	**February 28, 2021**
		$	**$**
Current			
Borrowings	(a)	-	-
Related party loan	(b)	-	829,283
Non-interest bearing loan with BNO Holdings Ltd.	(c)	-	150,000
Non-interest bearing loan with 1023409 B.C. Ltd.	(f)	-	45,448
Mortgage payable with 0982244 B.C. Ltd.	(g)	1,750,000	1,634,109
Interest bearing loan with 0982244 B.C. Ltd.	(g)	1,500,000	1,403,759
Related party short-term loan	(h)	161,728	-
		3,411,728	**4,062,599**
Non-Current			
Line of credit	(d)	55,047	48,206
Third party loan	(i)	179,708	-
		3,646,483	**4,110,805**

The changes in the carrying value of loans and borrowings are as follows:

	(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**Total**
	$	**$**	**$**		**$**	**$**	**$**	**$**	**$**	**$**
February 29, 2020	150,000	-	-	-	-	45,448	2,495,641	-	-	2,691,089
Issued	-	855,000	150,000	120,000	105,000	-	-	-	-	1,230,000
Modification of loan	-	(136,958)	-	(76,885)	-	-	-	-	-	(213,843)
Accretions	-	111,241	-	5,091	-	-	542,227	-	-	658,559
Repayment	(150,000)	-	-	-	(105,000)	-	-	-	-	(255,000)
February 28, 2021	-	829,283	150,000	48,206	-	45,448	3,037,868	-	-	4,110,805
Issued	-	-	-	-	-	-	-	161,728	250,000	411,728
Modification of loan	-	(150,535)	-	-	-	-	-	-	(80,521)	(231,056)
Accretions	-	29,924	-	6,841	-	-	212,132	-	10,229	259,126
Transfer to convertible loans payable	-	(708,672)	-	-	-	-	-	-	-	(708,672)
Repayment	-	-	(150,000)	-	-	(45,448)	-	-	-	(195,448)
November 30, 2021	**-**	**-**	**-**	**55,047**	**-**	**-**	**3,250,000**	**161,728**	**179,708**	**3,646,483**

14. Loans and borrowings (continued)

(a) 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.

On May 7, 2020, the lender assigned the loan to another third party with no changes to the terms of the original loan agreement.

On August 24, 2020, the Company settled the outstanding loan of $150,000 and interest of $41,466 by issuing 1,800,000 Sproutly Canada common shares. The market price of the common shares on the date of settlement was $0.07 per share and the Company recognized a gain on extinguishment of loan and interest of $65,466.

For the three and nine months ended November 30, 2021, the Company incurred interest expense of nil and nil respectively (three and nine months ended November 30, 2020 - $4,561 and $7,397).

(b) Related party loan

The Company received unsecured, non-interest and on-demand related party loans from Infusion Biosciences Inc., a company partially owned by the current Chief Executive Officer. On August 24, 2020, these loans were consolidated when the Company entered into a secured loan agreement with Infusion Biosciences Inc. in which Sproutly Canada could borrow up to $855,000. Interest for the entire $855,000 started accruing on May 14, 2020, at 15% per annum, compounding monthly and maturing on October 24, 2020.

As the terms of interest and maturity of the loan were modified on August 24, 2020, amounts that had been withdrawn by the Company were re-measured at fair value using the discount rate of 21.0%, which was the observable market rate for similar financial instrument and recorded at amortized costs using the effective interest rate of 32.2%.

On October 22, 2020, an amendment to the secured loan agreement was entered into between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended from October 24, 2020, to April 24, 2021. The change was deemed to be a substantial modification 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 20.2% on October 22, 2020, and a $65,217 gain on extinguishment of loan was recorded.

As at February 28, 2021, the Company had fully withdrawn $855,000 from the loan.

On April 24, 2021, a second amendment to the secured loan agreement was entered into between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended to April 24, 2022. The change was deemed to be a substantial modification of the financial lability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 19.5% on April 24, 2021, and a $147,938 gain on extinguishment of loan was recorded. The Company also incurred $2,597 legal fees which was recorded as a reduction to the liability.

On May 5, 2021, the Company entered into a secured convertible debenture loan agreement with Infusion Biosciences Inc. As a result, the financial instrument was reclassed and presented as a convertible loan payable (Note 15(iii)).

Prior to the reclassification, for the three and nine months ended November 30, 2021, the Company recognized a deferred gain of $3,490 and $3,490 (three and nine months ended November 30, 2020 – nil and nil), interest expense of $23,906 and $23,906 (three and nine months ended November 30, 2020 – nil and nil) and recorded accretion expense of $29,924 and $29,924 respectively (three and nine months ended November 30, 2020 – nil and nil).

14. Loans and borrowings (continued)

(c) Non-interest bearing loan with BNO Holdings Ltd.

On February 10, 2021, the Company received a related party loan from BNO Holdings Ltd., a company partially owned by the current Chief Executive Officer for $150,000. The loan is unsecured, bears no interest and is due on demand. The amount was fully repaid on April 1, 2021.

(d) Line of credit

The Company applied and obtained revolving lines of credit from the Government of Canada under the CEBA COVID-19 Economic Response Plan. The funding is granted in the form of an interest free revolving credit line of which up to $60,000 may be drawn per eligible entity. On December 1, 2021, the outstanding balance on the revolving line of credit line will be automatically convert to a non-revolving term loan. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum.

The term loan matures on December 31, 2025. If 75% of the outstanding balance of the non-revolving term loan is repaid on or before December 31, 2023, the remaining 33% of the balance shall be forgiven.

The $120,000 of original loans were determined to be below fair market value, an estimate was completed to determine a third party interest rate of 21.0%. The loan was initially present valued and subsequently recorded at amortized cost using the effective interest rate of 21.4%.

During three and nine months ended November 30, 2021, the Company recorded accretion expense of $2,553 and $6,841 respectively (three and nine months ended November 30, 2020 – nil and nil).

(e) On-demand loan

The Company received an unsecured and interest-free loan of $105,000 from a third party that is due on demand.

On August 24, 2020, the loan was settled as a non-brokered private placement for 1,500,000 units of the Company (the "Private Equity Units"), at a price of $0.07 per unit. Each Private Equity Unit consists of one Common Share and one Common Share purchase warrant, with each warrant entitling the investor to acquire one Common Share at an exercise price of $0.08 for a period of two years from the date of issuance. As the trading share price on the day of the private placement was equivalent to the Private Equity Unit price, the Company assigned all proceeds to share capital.

(f) Non-interest bearing 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., a company owned by a previous director of the Company. $3,552 was repaid and the remaining balance is due on demand and the remaining balance was settled by the Company on September 15, 2021 by issuing 908,986 of Sproutly Canada common shares. The market price of the common shares on the date of settlement was $0.05 per share.

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

On June 24, 2015, THR entered into a secured loan of $3,250,000 with 0982244 B.C. Ltd. (a former shareholder of THR). The loan is secured by the property at 64-70 Raleigh Avenue, Scarborough, Ontario, Canada, M1K 1A3. The loan has a fixed interest rate of 8.5% per annum compounded semi-annually with share purchase and loan conversion options. The loan was originally repayable on June 24, 2018. On February 28, 2018, $1,500,000 of the outstanding loan balance was converted to a separate interest bearing loan of 8.5% per annum compounded semi-annually due on February 28, 2023. On the same date, the lender exercised its rights to purchase 2,399,918 of THR's common shares under a separate agreement.

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

14. Loans and borrowings (continued)

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

On August 7, 2018, THR and the lender amended the $1,750,000 portion of the 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 32.12% on June 24, 2018, and a $740,308 gain on substantial modification of the loan was recorded for the year ended February 28, 2019.

For the three and nine months ended November 30, 2021, the Company incurred interest expense of $43,630 and $131,850 respectively (three and nine months ended November 30, 2020 - $43,630 and $131,850), and recorded accretion expense of nil and $115,891 (three and nine months ended November 30, 2020 - $76,460 and $213,871). The loan has matured and is due on demand.

The $1,500,000 portion of the original loan was determined to be below fair market value, an estimate was completed to determine a third party interest rate of 21.10%. The loan was initially present valued and subsequently recorded at amortized cost using the effective interest rate.

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 amendment of the loan.

For the three and nine months ended November 30, 2021, the Company incurred interest expense of $37,397 and $113,013 respectively (three and nine months ended November 30, 2020 - $37,397 and $113,013), and recorded accretion expense of $nil and $96,241 respectively (three and nine months ended November 30, 2020 - $63,731 and $178,561). The loan has matured and due on demand.

(h) Related party short-term loan

During the nine months ended November 30, 2021, the Company received an unsecured and interest-free loan of $161,728 from a company that is owned by the Company's Chief Executive Officer that is due on demand.

(i) Third party secured loan

On August 13, 2021, THR entered into a secured, fixed interest rate of 12% per annum loan for the principal amount of $250,000 with a third party. The loan is secured against production equipment acquired from Cannahive (Note 5) and matures on August 12, 2023.

The loan was measured at fair value using an effective interest rate of 19.68% and the difference of $80,521 between the nominal value of the financial instrument and fair value was recognized as a deferred gain, which shall be recognized over the life of the loan in the consolidated statements of loss and comprehensive loss. For the three and nine months ended November 30, 2021, the Company recognized a deferred gain of $10,037 and $12,133 respectively (three and nine months ended November 30, 2020 – nil and nil).

During the three and nine months ended November 30, 2021, the Company incurred interest expense of $7,480 and $9,062 respectively, (three and nine months ended November 30, 2020 - nil and nil) and accretion expense of $8,493 and $10,229 respectively (three and nine months ended November 30, 2020 – nil and nil).

(Unaudited – Expressed in Canadian Dollars)

15. Convertible loans payable

	(i) $	(ii) $	(iii) $	Total $
Balance, February 29,2020	7,002,382	842,959	-	7,845,341
Modification of loan	(445,368)	(81,238)	-	(526,606)
Accretion	1,086,365	212,802	-	1,299,167
Conversion	(5,699,947)	-	-	(5,699,947)
Balance, February 28, 2021	**1,943,432**	**974,523**	**-**	**2,917,955**
Issued	-	-	708,672	708,672
Modification of loan	(352,516)	(157,971)	-	(510,487)
Accretion	238,249	116,981	82,603	437,833
Conversion	(209,481)	-	-	(209,481)
Balance, November 30, 2021	**1,619,684**	**933,533**	**791,275**	**3,344,492**

(i) On October 24, 2018, the Company completed a Special Warrants Bought Deal Financing for gross proceeds of $20,760,000 with $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 $9,636,351 after deduction of transaction costs. The convertible debentures bear interest at a rate of 8.0% per annum for 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 shares 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.

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, $6,581,757 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 cost using the effective interest rate of 34.19%. During the year ended February 29, 2020, $2,500,000 of convertible debentures were converted to 3,333,332 common shares at a conversion price of $0.75 with a combined carrying value of $1,743,699.

On April 24, 2020, the Company and the debenture holders approved a new conversion price of $0.105 per share.

On September 23, 2020, the Company and the debenture holders entered into a third supplemental indenture approving a new conversion price of $0.05 per share and extended the maturity date of the loan from October 24, 2020, to April 24, 2021. The change was deemed to be a substantial modification 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 19.05% on September 23, 2020, and a $445,368 gain on extinguishment of loan was recorded.

On April 22, 2021, the Company and the debenture holders entered into a fourth supplemental indenture and extended the maturity date of the loan to April 24, 2021. The change was deemed to be a substantial modification 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 19.61% on April 22, 2021, and a $348,693 gain on extinguishment of loan was recorded. The Company also incurred $3,823 legal fees which was recorded as a reduction to the liability.

During the three and nine months ended November 30, 2021, the Company incurred interest expense of $35,389 and $111,889 respectively, (three and nine months ended November 30, 2020 - $96,258 and $358,013) and accretion expense of $76,500 and $238,249 respectively (three and nine months November 30, 2020 - $192,762 and $912,374).

During the period ended November 30, 2021, $250,000 of convertible debentures were converted to 4,166,666 common shares at a conversion price of $0.06 with a combined carrying value of $209,479. In addition, $6,717 of convertible debenture reserves were transferred to share capital as part of the conversion. The Company also settled outstanding interest payable of $79,133 by issuing 1,273,208 common shares with a settlement price of $0.06 to $0.09 per share. As certain interest settlements occurred when the market share price was either higher or lower than the settlement price, the Company recognized a gain on extinguishment of interest of $2,208.

15. Convertible loans payable (continued)

(ii) On January 28, 2020, the Company secured a $1,000,000 private loan with Infusion Biosciences Inc., a related company where one of the shareholders is an officer of the Company. The loan carries an interest rate of 10% per annum accruing and compounding monthly, payable on or before October 24, 2020. The loan is evidenced by a secured convertible debenture (the "Convertible Debenture") that provides the lender with the right to convert the principal of the loan into units of the Company (the "Units") at a conversion price of $0.19 per Unit, subject to adjustment in accordance with the terms of the Convertible Debenture. Each Unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"), with each Warrant entitling the Lender to acquire one Common Share at an exercise price equal to $0.20 for a period of two years from date of issuance. Total proceeds of the Convertible Debenture, net of transaction costs was $947,207.

The Company measured the hybrid instrument at $1,519,164, with $819,287 assigned to the liability component of the Convertible Debenture calculated based on a discount rate of 21%, which is the estimate of the observable market rate for similar convertible debentures. The liability component is recorded at amortized cost using the effective interest rate of 26.45%.

The remaining $699,877 was assigned to the equity component of the conversion feature of the Convertible Debenture using a variant of the Black-Scholes option pricing model. The value of Warrants is first calculated using the Black-Scholes option pricing model, which is then added into share price to calculate the value of Units using the same methodology.

The difference between proceeds received net of transaction costs and fair value of $571,957 was recognized as deferred loss on convertible bridge loan financing, which shall be recognized over the life of the loan in the consolidated statements of loss and comprehensive loss. During the nine months ended November 30, 2021, the Company recognized a loss on convertible bridge loan financing of nil (November 30, 2020 – $189,964).

On August 27, 2020, an amendment was entered between the Company and Infusion Biosciences Inc. in which the interest rate was increased to 15% and conversion price was decreased to $0.07 per Unit. The changes were deemed not to represent a substantial modification of the original financial liability.

On October 22, 2020, a second amendment was entered between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended from October 24, 2020, to April 24, 2021. The change was deemed to be a substantial modification 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 17.00% on October 22, 2020, and a $81,238 gain on extinguishment of loan was recorded.

On April 24, 2021, a third amendment was entered between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended to April 24, 2021. The change was deemed to be a substantial modification 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 17.31% on April 24, 2021, and a $154,933 gain on extinguishment of loan was recorded.

For the three and nine months ended November 30, 2021, the Company incurred interest expense of $46,924 and $136,158 respectively (three and nine months ended November 30, 2020 – $40,830 and $93,037) and recorded accretion expense of $39,271 and $116,981 respectively (three and nine months ended November 30, 2020 – $52,496 and $169,797).

(iii) On May 5, 2021, the Company entered into a secured convertible debenture to the existing $855,000 related party loan (Note 14(b)). The loan carries an interest of 15% per annum accruing and compounding monthly, payable on April 24, 2022. The loan is evidenced by a secured convertible debenture (the "Convertible Debenture") that provides the lender with the right to convert the principal and interest of the loan into units of the Company (the "Units") at a conversion price of $0.07 per Unit, subject to adjustment in accordance with the terms of the Convertible Debenture. Each Unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"), with each Warrant entitling the Lender to acquire one Common Share at an exercise price equal to $0.08 for a period of two years from date of issuance.

The Company measured the hybrid instrument at $1,370,733, with $708,672 assigned to the liability component and amortized cost using the effective interest rate of 19.52%. The remaining $662,061 was assigned to the equity component of the conversion feature of the Convertible Debenture using a variant of the Black-Scholes option pricing model. The value of Warrants is first calculated using the Black-Scholes option pricing model, which is then added into share price to calculate the value of the Units using the same methodology.

(Unaudited – Expressed in Canadian Dollars)

The value of the Warrants was based on the following assumptions:

Share price	$0.06
Exercise price	$0.08
Annualized volatility	105.67%
Risk-free interest rate	0.49%
Dividend yield	0.00%
Expected life	2.97 Years

The value of the Units was based on the following assumptions:

Share price	$0.10
Exercise price	$0.07
Annualized volatility	105.67%
Risk-free interest rate	0.49%
Dividend yield	0.00%
Expected life	0.97 Years

The Company also recognized $662,061 a deferred loss, which shall be recognized over the life of the loan in the consolidated statements of loss and comprehensive loss. For the three and nine months ended November 30, 2021, the Company recognized a loss on convertible related party loan of $170,191 and $390,878 respectively (three and nine months ended November 30, 2020 – nil and nil).

During the three and nine months ended November 30, 2021, the Company incurred interest of $39,408 and $89,339 (November 30, 2020 – nil and nil) and recorded accretion expense of $37,382 and $82,603 respectively (three and nine months ended November 30, 2020 – nil and nil).

16. 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 were 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, 2021, 5,385,885 shares were held in escrow.

(c) Issued and outstanding

Transactions for the period ended November 30, 2021

On March 15, 2021, the Company issued 11,050,000 common shares as part of the first tranche of private placement for proceeds of $552,500. The Company also issued 497,250 common shares as finder's fee (Note 4).

On April 15, 2021, the Company issued 15,916,037 common shares as part of the second and final tranche of private placement for proceeds of $795,802. The Company also issued 450,000 common shares as finder's fee (Note 4).

On May 17, 2021, 50,965 options (November 30, 2020 – nil) were exercised for gross proceeds of $250. Non-cash compensation of $10,297 was reclassified from reserves to share capital on exercise of these options.

On September 15, 2021, the Company settled the outstanding loan of $45,448 by issuing 908,968 Sproutly Canada common shares (Note 14(f)).

(Unaudited – Expressed in Canadian Dollars)

16. Share Capital (continued)

On September 15, 2021, the Company issued 2,000,000 common shares at $0.05 per share as compensation for receiving third-party consulting services.

During the period ended November 30, 2021, $250,000 of convertible debentures and $79,133 of interest payables were converted to 4,166,666 and 1,273,208 common shares of the Company respectively (Note 15(i)).

Transactions for the period ended November 30, 2020

On August 24, 2020 the Company settled the outstanding loan of $150,000 and interest of $41,466 by issuing 1,800,000 Sproutly Canada common shares (Note 14(a)).

On August 24, 2020, the Company issued 1,500,000 shares as part of a $105,000 non-brokered private placement (Note 14(e)).

On September 14, 2020, the Company issued 2,604,867 shares to settle $182,341 0f payroll indebtedness owed to certain current and former employees for past services.

On October 1, 2020, the Company issued 1,386,000 shares at $0.05 per share to settle $69,300 of accounts payable to an arm-lengths creditor for past services rendered.

During the period ended November 30, 2020, $4,150,000 of convertible debentures were converted to 47,659,521 common shares of the Company.

During the period ended November 30, 2020, the Company settled outstanding interest payables of $320,745 by issuing 5,855,115 common shares of the Company.

As at November 30, 2021, there were 363,223,915 (November 30, 2020 – 288,756,749) issued and fully paid common shares.

(c) Share purchase warrants

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

	Warrants	Weighted Average Exercise Price
	#	$
Balance, February 28, 2021	1,500,000	$0.08
Issued	27,913,287	$0.07
Balance, November 30, 2021	**29,413,287**	**$0.07**

	Warrants	Weighted Average Exercise Price
	#	$
Balance, February 29, 2020	14,076,138	$0.87
Issued	1,500,000	$0.08
Expired	(14,076,138)	$0.87
Balance, February 28, 2021	**1,500,000**	**$0.08**

The following table summarizes the warrants that remain outstanding as at November 30, 2021:

Exercise Price ($)	Warrants Outstanding (#)	Weighted Average Remaining Contractual Life (years)	Expiry Date
0.08	1,500,000	0.73	August 24, 2022
0.07	11,547,250	1.29	March 15, 2023
0.07	16,366,037	1.38	April 15, 2023
0.07	29,413,287	1.31	

(Unaudited – Expressed in Canadian Dollars)

16. Share Capital (continued)

The following table summarizes the warrants that remain outstanding as at November 30, 2020:

Exercise Price ($)	Warrants Outstanding (#)	Weighted Average Remaining Contractual Life (years)	Expiry Date
0.08	1,500,000	1.73	August 24, 2022

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:

	2021	2020
Share price at date of issuance (per share) Volatility Expected life Risk-free rate	Nil – 100% value assigned to common shares as part of private placement (Note 4)	No warrants were issued

(d) Share purchase warrants (continued)

Volatility was estimated by using the historical volatility of the Company's common shares. 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) Equity Special Warrant Units

As part of the Special Warrants Bought Deal Financing, each Equity Special Warrant Units when exercised entitles the holder of one-half common share purchase warrants with an exercise price of $0.90 per share, expiring on October 24, 2020. The Company has recognized value of nil in warrant reserves related to the share purchase warrants. On December 27, 2018, 15,400,000 of Equity Special Warrant Units were exercised and 7,700,000 of share purchase warrants were issued. During the three and nine months ended November 30, 2021, nil (November 30, 2020 – nil) warrants were exercised. As at October 24, 2020, the remaining 6,303,948 share purchase warrants had expired.

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 Equity 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 $108,930 in warrant reserves related to the share purchase warrants. For the three and nine months ended November 30, 2021, there were no Broker Equity Units exercised (November 30, 2020 – nil) and the remaining 1,057,753 units expired as at October 24, 2020.

(f) Convertible bridge loan units

As part of the Convertible Bridge Loan Financing (Note 15(ii)), the principal of the loan can be converted to Units of the Company at an exercise price of $0.07 per Unit. Each unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"), with each Warrant entitling the lender to acquire one Common Share at an exercise price equal to $0.20 for a period of two years from date of issuance. During the nine months ended November 30, 2021, nil Units were exercised (November 30, 2020 – nil).

(g) August 24, 2020 Private Placement

As part of the non-brokered private placement (Note 14(e)), the Company issued 1,500,000 warrants as part of the 1,500,000 Private Equity Units. Each warrant has an exercise price of $0.08 per share, expiring on August 24, 2022. The Company recognized value of nil in warrant reserves related to the share purchase warrants. During the nine months ended November 30, 2021, nil warrants were exercised (November 30, 2020 – nil).

(Unaudited – Expressed in Canadian Dollars)

16. Share Capital (continued)

(h) March 15, 2021 and April 15, 2021 Private Placement

As part of the private placement on March 15, 2021 and April 15, 2021 (Note 4), the Company issued 11,547,250 and 16,366,037 warrants respectively, with an exercise price of $0.07 per share, expiring two years from the date of issuance. The Company recognized value of nil in warrant reserves related to the share purchase warrants. During the nine months ended November 30, 2021, nil warrants were exercised (November 30, 2020 – nil).

17. 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, February 28, 2021	17,970,104	$0.19
Granted	2,730,000	$0.06
Exercised	(50,965)	$0.01
Expired	(400,00)	$0.10
Forfeited	(845,000)	$0.23
Balance, November 30, 2021	**19,804,139**	**$0.16**

During the nine months ended November 30, 2021, the Company granted 2,730,000 stock options (November 30, 2020 – 7,650,000) with a fair value of $91,138 (November 30, 2020 - $394,546). Of the 2,730,000 stock options granted, 330,000 were granted to consultants and vested immediately and 1,400,000 were with a vesting period of one-seventh every first of the month beginning on June 1, 2021. The remaining 1,000,000 stock options were granted to employees with a vesting period of one-sixth every six months. The weighted average exercise price of grants during the period was $0.06.

For the nine months ended November 30, 2021, 845,000 stock options were forfeited due to termination of an employee (November 30, 2020 – 5,739,703).

During the nine months ended November 30, 2021, 50,965 stock options (November 30, 2020 – nil) were exercised for proceeds of $250 (November 30, 2020 - nil). The weighted average share price at the dates the options were exercised during the period ended November 30, 2021, was $0.07 per share.

	Stock Options #	**Weighted Average Exercise Price $**
Balance, February 28, 2020	15,589,807	$0.34
Granted	7,650,000	$0.09
Forfeited	(5,739,703)	$0.45
Exercised	(150,000)	$0.10
Balance, November 30, 2020	**17,350,104**	**$0.19**

(Unaudited – Expressed in Canadian Dollars)

17. Share-based compensation (continued)

The following table summarizes the stock options that remain outstanding as at November 30, 2021:

Exercise Price ($)	Options Outstanding (#)	Expiry Date	Options Exercisable (#)
0.01	1,014,687	March 25, 2027	1,014,687
0.01	1,927,906	March 25, 2027	1,927,906
0.25	3,906,546	March 25, 2027	3,906,546
0.25	1,300,000	July 6, 2028	1,300,000
0.60	275,000	July 6, 2028	275,000
0.67	800,000	August 1, 2028	800,000
0.62	265,000	November 6, 2028	265,000
0.44	200,000	December 11, 2023	166,666
0.60	375,000	December 11, 2023	312,500
0.41	30,000	March 6, 2024	30,000
0.27	30,000	November 5, 2024	30,000
0.10	1,850,000	March 17, 2025	1,850,000
0.10	1,850,000	March 17, 2025	1,074,999
0.06	900,000	October 26, 2025	900,000
0.06	1,350,000	October 26, 2025	450,000
0.05	600,000	February 4, 2026	103,338
0.06	1,700,000	May 6, 2026	1,500,000
0.06	500,000	May 6, 2026	83,334
0.05	30,000	February 4, 2026	30,000
0.05	500,000	September 27, 2026	-
	19,404,139		**16,019,976**

For the three and nine months ended November 30, 2021, the Company incurred $8,986 and $63,847 (three and nine months ended November 30, 2020 - $24,211 and $40,915) of expenses respectively for options granted and vested to consultants for services.

The following table summarizes the stock options that remain outstanding as at November 30, 2020:

Exercise Price ($)	Options Outstanding (#)	Expiry Date	Options Exercisable (#)
0.01	1,014,687	March 25, 2027	1,014,687
0.01	1,927,906	March 25, 2027	1,302,181
0.01	50,965	April 18, 2027	50,965
0.25	3,906,546	March 25, 2027	3,255,454
0.25	1,300,000	July 6, 2028	866,668
0.60	275,000	July 6, 2028	183,336
0.67	800,000	August 1, 2028	533,332
0.62	265,000	November 6, 2028	176,664
0.44	525,000	December 11, 2023	262,498
0.60	375,000	December 11, 2023	187,500
0.41	30,000	March 6, 2024	30,000
0.27	30,000	November 5, 2024	30,000
0.10	2,250,000	March 17, 2025	2,250,000
0.10	2,350,000	March 17, 2025	558,333
0.06	900,000	October 26, 2025	900,000
0.06	1,350,000	October 26, 2025	-
	17,350,104		**11,601,618**

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

	2021	**2020**
Share price at grant date (per share)	$0.05-$0.06	$0.10
Volatility	100.00%	88.68%
Expected life	3.5 years	2.75 years
Dividend yield	0%	0%
Risk-free rate	0.87%-1.11%	0.78%

(Unaudited – Expressed in Canadian Dollars)

17. Share-based compensation (continued)

Volatility was estimated by using the historical volatility of the Company's common shares. 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.

18. 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 period ended November 30, 2021, are as follows:

	Three months ended November 30,		Nine months ended November 30,	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Management compensation(i)(ii)	50,200	68,790	173,228	276,168
Share-based payments(iii)	6,540	56,499	6,590	324,652
	56,740	**125,289**	**179,818**	**600,820**

(i) Management compensation consisted of salaries for the Chief Executive Officer, Chief Financial Officer, Chief Science Officer and Chief Commercial Officer.

(ii) As of November 30, 2021, the Company owed $270,821 to key management personnel and directors recorded in accounts payable and accrued liabilities.

(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 period ended November 30, 2021, a recovery of $33,157 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 partially owned by the current Chief Executive Officer (Note 14(b) and Note 15(iii)).

(c) Convertible bridge loan

On January 28, 2020, the Company secured a private loan with Infusion Biosciences Inc. for $1,000,000 (Note 15(ii)).

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

On February 10, 2021, the Company received a related party loan from BNO Holdings Ltd., a company partially owned by the current Chief Executive Officer for $150,000. The loan is unsecured, bears no interest and is due on demand (Note 14(c)). The amount was fully repaid on April 1, 2021.

(e) Private placement

As part of the April 15, 2021, second and final tranche of the private placement for gross proceeds of $795,802 (Note 4), Dr. Arup Sen, Chief Executive Officer and Director of the Company, purchased 3,000,000 Units through a company controlled by Dr. Sen.

(Unaudited – Expressed in Canadian Dollars)

18. Related party transactions (continued)

(f) Related party short-term loan

For the nine months ended November 30, 2021, the Company received an unsecured and interest-free loan of $161,728 from a company owned by the Company's Chief Executive Officer that is due on demand (Note 14(i)).

19. General and administration

	Three months ended November 30,		Nine months ended November 30	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Professional fees	124,755	49,729	357,823	308,588
Office and administration	115,811	172,525	414,320	489,428
Wages	225,631	205,319	627,972	530,695
Investor relations	100,930	3,440	126,075	54,954
	567,127	**431,013**	**1,526,190**	**1,383,665**

20. Finance and other costs

	Three months ended November 30,		Nine months ended November 30,	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Accretion expense	164,200	468,217	696,961	1,581,915
Financing fees	-	-	47,363	-
Bank charges	2,369	893	3,983	3,525
Interest expense	210,228	247,813	613,729	777,496
	376,797	**716,923**	**1,362,036**	**2,362,936**

21. 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

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 November 30, 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.

(Unaudited – Expressed in Canadian Dollars)

21. Financial instruments and risk management (continued)

The carrying values of financial instruments as at November 30, 2021, are summarized in the following table:

	Amortized Costs	FVTPL	Total
Financial assets			
Cash	$ 75,906	-	$75,906
Receivables	81,466	-	81,466
Financial liabilities			
Accounts payable and accrued liabilities	2,627,703	-	2,627,703
Loans and borrowings	3,646,483	-	3,646,483
Convertible loans payable	3,344,492	-	3,344,492

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

	Amortized Costs	FVTPL	Total
Financial assets			
Cash	$ 171,818	-	$171,818
Receivables	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 loans payable	2,917,955	-	2,917,955

(b) Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. Receivables are comprised of 43% GST and HST. The Company has assessed its expected credit loss in accordance to IFRS 9 and management determined ECL to be nominal due to the type of receivables.

(c) Concentration risk

Excluding GST and HST receivables, the Company’s trades receivables are primarily due from six provincial government agencies representing 100% (February 28, 2021 – 100%) of total revenue for the three and nine months ended November 30, 2021.

(d) 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, 2021, the Company had current assets of $1,010,535 to settle current liabilities of $9,485,861.

The Company has the following undiscounted loan obligations as at November 30, 2021, which are expected to be payable in the following respective periods:

	$
Less than 1 year	7,016,728
1 to 3 years	370,000
	7,386,728

Subsequent to the period ended November 30, 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.

21. Financial instruments and risk management (continued)

(e) 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 instruments.

22. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of the components of equity.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

23. 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 $1,000.

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.

24. Subsequent events

On December 31, 2021, the Company, pursuant to a convertible debenture indenture dated October 24, 2018 between the Company and TSX Trust Company, as trustee, which has been amended pursuant to a first supplemental indenture dated April 24, 2020, a second supplemental indenture dated July 23, 2020, a third supplemental indenture dated September 23, 2020 and a fourth supplemental indenture dated April 22, 2021 (collectively, the "Indenture"), the Company settled accrued and unpaid interest ("Interest") under the Indenture in the amount of $70,000 through the issuance of 1,400,000 common shares in the capital of the Company (the "Settlement Shares") at a price of $0.05 per Settlement Share.