

# Sprout AI Inc.

**NOTICE OF SPECIAL MEETING AND MANAGEMENT INFORMATION CIRCULAR**  
with respect to the Special Meeting of Shareholders to be held on August 30, 2024

Dated as of July 17, 2024

***NEITHER THE CANADIAN SECURITIES EXCHANGE NOR ANY SECURITIES REGULATORY AUTHORITY HAS IN  
ANY WAY PASSED UPON THE MERITS OF THE TRANSACTIONS DESCRIBED IN THIS MANAGEMENT  
INFORMATION CIRCULAR***

**SPROUT AI INC.**  
**400 – 931 Fort Street, Victoria, BC, V8V 3K3**  
**(Telephone: + 011 (507) 320-5092; E-Mail: [mainweb@sproutai.solutions](mailto:mainweb@sproutai.solutions))**  
**Website: <https://sproutai.solutions/>**

### NOTICE OF SPECIAL MEETING OF THE SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that a special meeting (the “**Meeting**”) of the shareholders of Sprout AI Inc. (“**Sprout**” or the “**Company**”) will be held at #1150, 777 Hornby Street, Vancouver, British Columbia V6Z 1S2 on August 30, 2024 at 1:30 PM (PST), for the following purposes:

1. to consider and, if thought advisable, approve, with or without variation, an ordinary resolution (the “**Sprout Fundamental Change Resolution**”) authorizing the business combination among Sprout, Sprout AI, S.A. (“**Sprout Subco**”) and TheraCann International Benchmark Corporation (“**TheraCann**”), on the terms and subject to the conditions contained in an amalgamation agreement dated as of May 29, 2023 between Sprout, Sprout Subco and TheraCann (the “**Transaction**”), all as more particularly set forth in the accompanying management information circular and proxy statement (the “**Information Circular**”);
2. to consider, and, if deemed appropriate, to approve an ordinary resolution conditional on and to take effect only in the event of the closing of the Transaction approving the election of Chris Bolton, Jaikishin Aswani, Doug Connell, Kevin Delano, Brian Nolan, and Calie-Anne Bolton as directors of the Resulting Issuer (the “**Resulting Issuer Director Election Resolution**”);
3. to appoint the auditors of the Resulting Issuer to hold office conditional on and effective following the closing of the Transaction and to authorize the directors of the Resulting Issuer to fix the remuneration of the auditor so appointed, to take effect only in the event that the Transaction is completed (the “**Resulting Issuer Auditor Resolution**”); and
4. to transact such further or other business as may properly come before the Meeting and any adjournments thereof.

The foregoing resolutions are referred to herein as the “**Sprout Resolutions**”.

Information relating to matters to be acted upon by the shareholders at the Meeting are set forth in the accompanying Information Circular.

A shareholder may attend the Meeting or may be represented at the Meeting by proxy. Registered shareholders who are unable to attend the Meeting and wish to be represented by proxy are requested to date, sign and return the accompanying instrument of proxy, or other appropriate form of proxy, in accordance with the instructions set forth in the accompanying Information Circular. An instrument of proxy will not be valid unless it is deposited at the offices of Endeavor Trust Corporation, #1150, 777 Hornby Street, Vancouver, British Columbia V6Z 1S2, in the enclosed self-addressed envelope, or by fax or by email, or voted via internet (online) as specified in the proxy form, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time of the Meeting, or any adjournment thereof.

A non-registered shareholder who plans to attend the Meeting must follow the instructions set out in the form of proxy (or voting instruction form) accompanying this Notice and the Information Circular, to ensure that such shareholder’s common shares will be voted at the Meeting. If you hold your common shares in a brokerage account, you are not a registered shareholder. If you are a non-registered Sprout shareholder, please refer to the section in the Information Circular entitled “*General Proxy Information — Non- Registered Holders*” for information on how to vote your Sprout Shares.

No other matters are contemplated for consideration at the Meeting, however any permitted amendment to or variation of any matter identified in this Notice may properly be considered at the Meeting. The Meeting may also consider the transaction of such other business as may properly come before the Meeting or any adjournment thereof.

Copies of this Notice of Meeting, the Information Circular, the form of proxy and voting information form (together "**Proxy Materials**"), will also be posted on the Sprout website at <https://sproutai.solutions/> and are filed on the System for Electronic Data Analysis and Retrieval at [www.sedar.com](http://www.sedar.com) ("**SEDAR**") under Sprout's profile.

### **Notice-and-Access**

The Company has elected to use the "notice-and-access" provisions under National Instrument 54-101 – Communications with Beneficial Owners of Securities of a Reporting Issuer (the "Notice-and-Access Provisions") for the Meeting. The Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that reduce the volume of materials which are mailed to shareholders by allowing a reporting issuer to post an information circular in respect of a meeting of its shareholders and related materials online. The Company has contracted Broadridge Financial Solutions, Inc. ("Broadridge") to provide list of shareholders, and list of intermediaries holding securities as shown on a NOBO list, in relation to its use of the Notice-and-Access Provisions, the Company will not use procedures known as "stratification", meaning that both Registered Shareholders and shareholders who do not own Common Shares in their own name ("Beneficial Shareholders") will be mailed a notification of availability of Meeting materials directing them to those websites where they can access the Information Circular and other relevant information (the "Notice-and-Access Notification").

The Company anticipates that notice-and-access will directly benefit the Company through substantial reductions in postage and printing costs. The Company believes that notice-and-access is also environmentally responsible

to the extent that it decreases the large volume of paper documents generated by printing proxy-related materials.

The Company will be delivering the Notice-and-Access Notification to non-objecting Beneficial Shareholders indirectly with the assistance of Broadridge. Management does not intend to pay for intermediaries to forward the Notice-and-Access Notification to Beneficial Shareholders who have objected to their intermediary/broker disclosing ownership information about them pursuant to applicable securities laws ("Objecting Beneficial Shareholders"). Consequently, an Objecting Beneficial Shareholder will not receive the Notice-and-Access Notification unless the Objecting Beneficial Shareholder's intermediary/broker assumes the cost of delivery.

Shareholders with questions about notice-and-access can call Endeavor Trust Corporation toll free at 1 888 7870888.

In order to receive a paper copy of this Information Circular and other relevant information, requests by Beneficial Shareholders may be made up to one year from the date the Information Circular was filed on System for Electronic Document Analysis and Retrieval ("SEDAR") by: (i) online at the Company's website: <https://sproutai.solutions/>; (ii) calling Endeavor Trust Corporation toll free at 1 888 787 0888. The Company estimates that a Shareholder's request for paper copies of the Information Circular and other relevant information will need to be received prior to August 21, 2024, in order for such Shareholder to have sufficient time to receive and review the materials requested and return the completed Form of Proxy by the due date set out under the heading "Completion of Proxies" in this Information Circular.

The accompanying Information Circular provides additional information relating to the matters to be considered at the Meeting. Please review the Information Circular before voting. Any adjournment of the Meeting will be held at a time and place to be specified at the Meeting. Only shareholders of Sprout of record at the close of business on July 16, 2024 will be entitled to receive notice of and vote at the Meeting.

**DATED** at Panama City, Panama as of July 17, 2024.

**ON BEHALF OF THE BOARD OF DIRECTORS**

*/s/ "Chris Bolton"*

Chris Bolton  
Chief Executive Officer and Chair



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| Schedule "B"     | Information Concerning TheraCann  |
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| Schedule "D"     | TheraCann Audited Financial Statements for the fiscal year ended December 31, 2022 and 2023 and Unaudited Financial Statements for the three month period ended March 31, 2024 and TheraCann Management Discussion and Analysis for the fiscal year ended December 31, 2022 and December 31, 2023 and the three month period ended March 31, 2024 |
| Schedule "E"     | Pro forma Consolidated Financial Statements   |
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## NOTE TO UNITED STATES SHAREHOLDERS

The solicitation of proxies is being made and the transactions contemplated herein are being undertaken by Canadian issuers in accordance with Canadian corporate and securities laws. Shareholders should be aware that disclosure requirements under such Canadian laws are different from requirements under United States corporate and securities laws relating to issuers organized under United States laws, and this Information Circular has not been filed with or approved by the United States Securities and Exchange Commission or the securities regulatory authority of any state within the United States. Likewise, information concerning the operations of Sprout and TheraCann has been prepared in accordance with Canadian standards and may not be comparable to similar information for issuers organized under United States laws.

The financial statements of TheraCann and the *pro forma* consolidated financial statements included in this Information Circular have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements prepared in accordance with United States generally accepted accounting principles and audited in accordance with United States auditing and auditor independence standards. Completion of the transactions described herein may have tax consequences under the laws of both the United States and Canada, and any such tax consequences under the laws of the United States are not described in this Information Circular. United States shareholders of each of Sprout and TheraCann are advised to consult their tax advisors to determine any particular tax consequences to them of the transactions to be effected in connection with the Transaction.

***THE RESULTING ISSUER SHARES (AS DEFINED HEREIN) TO BE ISSUED PURSUANT TO THE TRANSACTION HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND SUCH SECURITIES ARE BEING ISSUED IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER APPLICABLE UNITED STATES FEDERAL AND STATE SECURITIES LAWS. AS A RESULT, RESULTING ISSUER SHARES ISSUED TO U.S. SHAREHOLDERS MAY BE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER UNDER APPLICABLE U.S. FEDERAL AND STATE SECURITIES LAWS.***

***U.S. SHAREHOLDERS OF EACH OF SPROUT AND THERACANN SHOULD CONSULT THEIR OWN TAX, LEGAL AND FINANCIAL ADVISORS REGARDING THE PARTICULAR CONSEQUENCES TO THEM OF THE TRANSACTION.***

All capitalized terms used and not otherwise defined above shall have the meanings ascribed thereto in the Glossary of Defined Terms in this Information Circular.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Information Circular constitute forward-looking information. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Sprout and TheraCann believe the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Information Circular should not be unduly relied upon. These statements are current only as of the date of this Information Circular. Sprout and TheraCann do not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws.

In particular, this Information Circular contains forward-looking statements pertaining to the following in respect of Sprout, TheraCann and the Resulting Issuer (referred to in this section collectively as the “**Resulting Issuer**”):

- the terms, conditions and completion of the Transaction and the Financing;
- the Closing Date;

- the timing of the listing of the Resulting Issuer's Shares on the Exchange;
- use of proceeds from the Financing, if completed;
- the potential benefits of the Transaction;
- TheraCann's intentions to develop its business and operations;
- the business and operations of the Resulting Issuer;
- the Resulting Issuer's business objectives and discussion of trends affecting the business of the Resulting Issuer;
- the funds available to the Resulting Issuer and the principal purposes of those funds;
- anticipated revenues and cash flows from operations and funding requirements of the Resulting Issuer;
- ability to obtain and protect the Resulting Issuer's intellectual property and proprietary rights;
- capital, operating and general expenditures;
- Shareholder approval of the Transaction;
- expectations regarding the ability to raise capital; and
- treatment under governmental regulatory regimes and expectations with respect to regulatory approvals.

The Resulting Issuer have based the forward-looking statements largely on the Resulting Issuer's current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Resulting Issuer believe, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond the Resulting Issuer's control, include, but are not limited to:

- the Resulting Issuer's and TheraCann's ability to satisfy the conditions of the Transaction;
- management's expectations regarding the future business, objectives and operations of the Resulting Issuer;
- the Resulting Issuer's anticipated cash needs and the need for additional financing;
- the Resulting Issuer's ability to successfully complete future financings;
- the Resulting Issuer's expectations regarding its competitive position;
- the Resulting Issuer's expectations regarding regulatory developments and the impact of the respective regulatory environments in which the Resulting Issuer operates;
- the Resulting Issuer's ability to attract and retain qualified management personnel and key employees; and
- anticipated trends and challenges in the Resulting Issuer's business and the markets in which it operates.

Assumptions underlying the Resulting Issuer's working capital requirements are based on their management's experience with other public companies. Forward-looking statements regarding treatment by governmental authorities assumes no material change in regulations, policies, or the application of the same by such authorities.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Information Circular.

In respect of Sprout, TheraCann and the Resulting Issuer:

- risks associated with the general economic, market and business conditions in Australia, Panama, Canada, the United States, the European Union, the United Arab Emirates and other countries, including reduced availability of debt and equity financing generally;
- risks inherent in an agricultural business;
- risks associated with the Resulting Issuer's ability to raise equity and/or debt financing on acceptable terms;
- risks associated with the degree of competitiveness in the industries the Resulting Issuer operates;

- risks associated with the failure to obtain granted patents for applied patents and failure to have patent assignments properly recorded;
- failure to realize the benefits of the Transaction and any future acquisitions;
- environmental and employee health and safety regulation;
- risks associated with the Resulting Issuer's anticipated reliance on key personnel;
- risks associated with the Resulting Issuer's reliance on permits and licenses;
- risks associated with changes to government policy;
- risks associated with volatility of the market price of the Resulting Issuer Shares;
- unforeseen expenses;
- global financial conditions, including market reaction to COVID-19;
- risks related to the disruption of supply-chains related to the outbreak of war in Ukraine;
- risks associated with the speculative nature of investing in equity securities;
- risk associated with the results of litigation or regulatory proceedings that may be brought against the Company; and
- risks associated with dilution of the existing shareholders of Sprout and TheraCann.

Certain historical information contained in this Information Circular has been provided by, or derived from information provided by, third parties. Although neither Sprout nor TheraCann has any knowledge that would indicate that any such information is untrue or incomplete, Sprout and Sprout assume no responsibility for the accuracy and completeness of such information or the failure by such third parties to disclose events which may have occurred or may affect the completeness or accuracy of such information but which is unknown to Sprout and TheraCann.

All capitalized terms used and not otherwise defined above shall have the meanings ascribed thereto in the Glossary of Defined Terms in this Information Circular.

Except as otherwise indicated in this Circular, references to "Canadian dollars" and "\$" are to the currency of Canada, references to "U.S. dollars", "US\$" or "USD" are to the currency of the United States.

## GLOSSARY OF DEFINED TERMS

In this Information Circular, the following capitalized words and terms shall have the following meanings:

|                                 |  |
|---------------------------------|--|
| <b>Amalco</b>                   | The corporation resulting from the Amalgamation, to be named "Beyond Farming Panama S.A." or such other name as is acceptable to TheraCann and the regulatory authorities.   |
| <b>Amalco Shares</b>            | The common shares in the capital of Amalco.  |
| <b>Amalgamation</b>             | The amalgamation of TheraCann and Sprout Subco to form Amalco pursuant to Law 32 Panama, Section 8 (Merger with other Corporations) Articles 40-43, and Articles 71-79 and in accordance with the terms of the Amalgamation Agreement, which shall result in the business combination of TheraCann and Sprout all as further described in this Information Circular. |
| <b>Amalgamation Agreement</b>   | The Amalgamation Agreement dated as of May 29, 2023 among Sprout, Sprout Subco and TheraCann governing the terms of the Transaction.   |
| <b>Articles of Amalgamation</b> | The articles required under the BCBCA to be sent to the Director to give effect to the Amalgamation.   |

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| <b>BCBCA</b>                       | <i>Business Corporations Act</i> (British Columbia), as amended from time to time.  |
| <b>Budget</b>                      | The budget of Sprout provided to TheraCann prior to signing the LOI.  |
| <b>Business Day</b>                | Any day excepting a Saturday or Sunday or a day recognized as a holiday in Toronto, Ontario or Vancouver, British Columbia, or a day on which banks in Toronto or Vancouver are not open for business.                                      |
| <b>Certificate of Amalgamation</b> | The certificate issued by the Registrar pursuant to the BCBCA to evidence the Amalgamation;   |
| <b>Companies</b>                   | Sprout, Sprout Subco and TheraCann, as applicable.  |
| <b>Consolidation</b>               | The consolidation of the issued and outstanding Sprout Shares on the basis of one (1) post-Consolidation Sprout Share for 3.3333 Sprout Shares issued and outstanding immediately prior to the Effective Date.                              |
| <b>Consolidation Resolution</b>    | The resolution of the Board of Directors of Sprout authorizing the Consolidation.   |
| <b>CSE</b>                         | Canadian Securities Exchange.   |
| <b>Closing</b>                     | The completion of the Transaction.  |
| <b>Closing Date</b>                | The date of the Closing.  |
| <b>Depository</b>                  | Endeavor Trust Corporation, which will act as the depository for the exchange of the TheraCann Shares and post-Consolidation Sprout Shares for the Resulting Issuer Shares in connection with the Transaction.                              |
| <b>Effective Date</b>              | The effective date of the Transaction.  |
| <b>Effective Time</b>              | 12:01 a.m. (Vancouver time) on the Effective Date   |
| <b>Escrow Agent</b>                | Endeavor Trust Corporation, as escrow agent pursuant to the Escrow Agreement.   |
| <b>Escrow Agreement</b>            | The escrow agreement to be entered into with between the Escrow Agent, Sprout and holders of the Escrow Shares, as described under the heading “ <i>Schedule “C” – Information Concerning the Resulting Issuer – Escrowed Securities</i> ”. |
| <b>Escrow Shares</b>               | Resulting Issuer Shares to be held in escrow pursuant to the Escrow Agreement.  |
| <b>ETCH</b>                        | ETCH Biotrace S.A., a corporation duly incorporated under the laws of Panama.   |
| <b>Exchange Ratio</b>              | 5.296 post-Consolidation Sprout Shares for each one (1) TheraCann Share, which TheraCann Shareholders will be entitled to receive in connection with the Amalgamation.  |
| <b>Financing</b>                   | A private placement of up to 1,428,571 TheraCann Shares at an issue price of USD\$3.50 per TheraCann Share for gross proceeds of USD\$5,000,000   |
| <b>Fundamental Change</b>          | A “fundamental change” within the meaning of CSE Policy 8.  |

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| <b>Government Authority</b>    | Any foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or Person in question. |
| <b>IFRS</b>                    | International Financial Reporting Standards.   |
| <b>Information Circular</b>    | This Information Circular to be sent to the Sprout Shareholders in connection with the Meeting.  |
| <b>Listing</b>                 | The listing of the Resulting Issuer Shares on the CSE.   |
| <b>Listing Date</b>            | The date on which the Resulting Issuer Shares are listed for trading on the CSE.   |
| <b>Listing Statement</b>       | The listing statement of Sprout to be prepared in accordance with the requirements of the CSE and filed with the CSE in connection with the Amalgamation.  |
| <b>LOI</b>                     | The non-binding letter of intent entered into between Sprout and TheraCann dated April 22, 2023.   |
| <b>Management Proxyholders</b> | Officers or directors of Sprout or TheraCann, whose names are printed in the enclosed form of proxy.   |
| <b>Meeting</b>                 | The special meeting of Sprout Shareholders to be held on May 30, 2024, including any adjournment or postponement thereof, for the purposes considering and voting on, among other things, the Sprout Fundamental Change Resolution, the Resulting Issuer Board Resolution, the Resulting Issuer Director Election Resolution and the Resulting Issuer Auditor Resolution.                                  |
| <b>MI 61-101</b>               | Multinational Instrument 61-101 – <i>Protection of Minority Shareholders in Special Transactions</i>   |
| <b>Name Change</b>             | The change of Sprout’s name to “TheraCann Beyond Farming Inc.” or such other name as is acceptable to TheraCann and the regulatory authorities.  |
| <b>Name Change Resolution</b>  | The resolution of the Sprout Board authorizing the name change of Sprout to “TheraCann Beyond Farming Inc.” or such other name as is acceptable to TheraCann and the regulatory authorities.   |
| <b>Nominee</b>                 | Entities such as a brokerage firm, bank, trust company, trustee or administrator of self- administered RRSPs, RRIFs, RESPs and similar plans, or clearing agency such as The Canadian Depositary for Securities Limited, through which “non-registered” Sprout Shareholders and TheraCann Shareholders, respectively, purchase their shares.   |
| <b>Notice of Alteration</b>    | The notice required under the BCBCA to be sent to the British Columbia Registrar of Companies to give effect to the Name Change.   |
| <b>NP 46-201</b>               | National Policy 46-201 – <i>Escrow for Initial Public Offerings</i> .  |

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| <b>OS2</b>   | One System One Solution S.A., a corporation duly incorporated under the laws of Panama.   |
| <b>Ordinary Resolution</b>                           | A resolution required to be approved by greater than fifty percent (50%) of the votes cast by those Sprout Shareholders who (being entitled to do so) vote via teleconference or by proxy at the Meeting.   |
| <b>Person</b>  | Any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Government Authority, syndicate or other entity, whether or not having legal status.   |
| <b>Record Date</b>                                   | July 16, 2024, being the date for determining Sprout Shareholders entitled to receive notice of and vote at the Meeting.  |
| <b>Regulatory Approval</b>                           | Any approval, consent, waiver, permit or exemption from any Government Authority having jurisdiction or authority over any party or the subsidiary of any party which is required or advisable to be obtained in order to permit the Transaction to be effected including, for greater certainty, the approval by the CSE, and “Regulatory Approvals” means all such approvals, consents, waivers, permits, orders or exemptions. |
| <b>Resulting Issuer</b>                              | Means Sprout following the completion of the Transaction to be renamed “TheraCann Beyond Farming Inc.”.   |
| <b>Resulting Issuer Auditor Resolution</b>           | The resolution as described in the Sprout Notice of Meeting, as further described under “ <i>Particulars of Matters to be Acted Upon at the Meeting</i> ”.  |
| <b>Resulting Issuer Board</b>                        | The board of directors of the Resulting Issuer.   |
| <b>Resulting Issuer Board Nominees</b>               | Individuals nominated as directors of the Resulting Issuer, conditional and effective only upon the completion of the Transaction, being Chris Bolton (Chairman), Jaikishin Aswani, Doug Connell, Kevin Delano, Brian Nolan, and Calie-Anne Bolton (Corporate Secretary).   |
| <b>Resulting Issuer Board Resolution</b>             | The resolution as described in the Sprout Notice of Meeting, as further described under “ <i>Particulars of Matters to be Acted Upon at the Meeting</i> ”.  |
| <b>Resulting Issuer Director Election Resolution</b> | The resolution as described in the Sprout Notice of Meeting, as further described under “ <i>Particulars of Matters to be Acted Upon at the Meeting</i> ”.  |
| <b>Resulting Issuer Options</b>                      | Stock options of the Resulting Issuer.  |
| <b>Resulting Issuer Shares</b>                       | Common shares in the capital of the Resulting Issuer.   |
| <b>Resulting Issuer Warrants</b>                     | Common share purchase warrants of the Resulting Issuer.   |
| <b>Resulting Issuer RSUs</b>                         | Restricted share units of the Resulting Issuer.   |
| <b>RRIF</b>  | Registered retirement income fund.  |



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| <b>RRSP</b>                                 | Registered retirement savings plan.  |
| <b>Sprout or the Company</b>                | Sprout AI Inc., the corporation prior to completion of the Transaction existing under the BCBCA and incorporated on August 25, 2020.   |
| <b>Sprout AI, S.A. or Sprout Subco</b>      | Sprout AI, S.A, a wholly-owned subsidiary of the Company, a corporation duly incorporated under the laws of Panama.  |
| <b>Sprout Audit Committee</b>               | The Audit Committee of Sprout.   |
| <b>Sprout Board</b>                         | The board of directors of Sprout.  |
| <b>Sprout Fundamental Change Resolution</b> | The Ordinary Resolution approving the Transaction to be voted on, with or without variation, by Sprout Shareholders at the Meeting, substantially in the form attached as Schedule "A" to this Information Circular. |
| <b>Sprout Group</b>                         | Sprout and the Sprout Subsidiaries, collectively.  |
| <b>Sprout Minority Shareholders</b>         | At the relevant time, the holders of Sprout Shares, excluding TheraCann.   |
| <b>Sprout Option Plan</b>                   | The stock option plan of Sprout governing the Sprout Options.  |
| <b>Sprout Options</b>                       | Stock options to acquire Sprout Shares outstanding from time to time.  |
| <b>Sprout Shareholders</b>                  | At the relevant time, the holders of Sprout Shares.  |
| <b>Sprout Shares</b>                        | Common shares in the capital of Sprout, as constituted on the date of this Information Circular, prior to giving effect to the Consolidation.  |
| <b>Sprout RSU Plan</b>                      | The stock option plan of Sprout governing the Sprout RSUs.   |
| <b>Sprout RSUs</b>                          | Restricted share units of Sprout, issuable under the Sprout RSU Plan.  |
| <b>Sprout Warrants</b>                      | Performance based share purchase warrants of Sprout.   |
| <b>Termination Date</b>                     | September 30, 2024, or such other date as agreed between TheraCann and Sprout AI.  |
| <b>TAFR</b>                                 | TheraCann Africa Benchmark Pty. Ltd, a corporation duly incorporated under the laws of South Africa.   |
| <b>TAUS</b>                                 | TheraCann Australia Benchmark Pty. Ltd., a corporation duly incorporated under the laws of Australia.  |
| <b>TCAN</b>                                 | TheraCann Canada Benchmark Corporation, a corporation duly incorporated under  |

the laws of Alberta.

|  |   |
|--|---|
| <b>TCI</b>                               | TheraCann Canada Inc, a corporation duly incorporated under the laws of Alberta.  |
| <b>TheraCann</b>                         | TheraCann International Benchmark Corporation, a corporation duly incorporated under the laws of the Republic of Panama.                        |
| <b>TheraCann Amalgamation Resolution</b> | The special resolution required to be approved by not less than 51% of the votes cast by the TheraCann Shareholders approving the Amalgamation. |
| <b>TheraCann Board</b>                   | The board of directors of TheraCann.  |
| <b>TheraCann Material Subsidiaries</b>   | Collectively, TCAN, TCI, TAFR, TAUS, ETCH and OS2.  |
| <b>TheraCann Shareholders</b>            | At the relevant time, holders of TheraCann Shares.  |
| <b>TheraCann Shares</b>                  | Common shares in the capital of TheraCann.  |
| <b>Transaction</b>                       | The Consolidation, Name Change and the Amalgamation, collectively.  |
| <b>Transaction Resolutions</b>           | The Sprout Fundamental Change Resolution and the TheraCann Amalgamation Resolution, collectively.   |
| <b>U.S. Securities Act</b>               | The United States Securities Act of 1933, as amended.   |
| <b>U.S. Shareholder</b>                  | A United States holder of Sprout Shares or TheraCann Shares.  |

## GENERAL PROXY INFORMATION

### ***Solicitation of Proxies***

This Information Circular is furnished in connection with the solicitation of proxies by the management of Sprout for use at the Meeting and any adjournment thereof.

Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, internet, facsimile or oral communication by the directors, officers and regular employees of Sprout, at no additional compensation. Costs associated with the solicitation of proxies will be borne by Sprout.

At the Meeting, Sprout Shareholders will be asked to consider and, if thought advisable, approve, with or without variation, the Sprout Fundamental Change Resolution approving the Transaction, the Resulting Issuer Board Resolution, the Resulting Issuer Director Election Resolution and the Resulting Issuer Auditor Resolution, all as more particularly described herein. See “*The Transaction*”.

### ***Appointment of Proxyholder***

Accompanying this Information Circular is an instrument of proxy for use at the Meeting. Sprout Shareholders who are unable to attend the Meeting and wish to be represented by proxy are required to date and sign the enclosed instrument of proxy and return it in the enclosed return envelope. All properly executed instruments of proxy for Shareholders must be mailed so as to reach or be deposited at the offices of Endeavor Trust Corporation at # 1150, 777 Hornby Street, Vancouver, British Columbia V6Z 1S2, in the enclosed self-addressed envelope, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time of the Meeting, or any adjournment thereof. A person appointed as proxy holder need not be a shareholder of Sprout.

***A Sprout Shareholder has the right to appoint a person, other than a Management Proxyholder, to represent the Sprout Shareholder at the Meeting by striking out the names of the Management Proxyholders and by inserting the name of the designated representative in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a Sprout Shareholder.***

### ***Voting by Proxy***

Only registered Sprout Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Shares represented by a properly executed proxy will be voted or be withheld from voting on each matter referred to in the applicable notice of Meeting accompanying this Information Circular in accordance with the instructions of the Sprout Shareholder on any ballot that may be called for and if the Sprout Shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

***If a Sprout Shareholder does not specify a choice and the Sprout Shareholder has appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favour of the matters specified in the applicable notice of Meeting and in favour of all other matters proposed by management at the applicable Meeting.***

The enclosed form of proxy also gives discretionary authority to the person named therein as proxyholder with respect to amendments or variations to matters identified in the applicable notice of Meeting and with respect to other matters which may properly come before each such Meeting. At the date of this Information Circular, management of Sprout knows of no such amendments, variations or other matters to come before the Meeting.

### ***Completion and Return of Proxy***

Each proxy must be dated and signed by the Nominee (as defined in “*General Proxy Information – Non-Registered Holders*” below) acting on behalf of a Sprout Shareholder or by the Sprout Shareholder or his/her attorney authorized in writing. In case of a corporation, the proxy must be dated and executed under its corporate seal or signed by a duly authorized officer or attorney for such corporation.

Completed forms of proxy for Sprout must be deposited at the office of Sprout registrar and transfer agent, Endeavor Trust Corporation at #1150, 777 Hornby Street, Vancouver, British Columbia V6Z 1S2, in the enclosed self-addressed envelope, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time of the Meeting, or any adjournment thereof, or voted via fax or internet (online) as specified in the proxy form.

### ***Non-Registered Holders of Sprout Shares***

**Only Sprout Shareholders whose names appear on the records of Sprout as the registered holders of Sprout Shares, or duly appointed proxyholders, are permitted to vote at the Meeting.**

Some Sprout Shareholders are “non-registered” Sprout Shareholders because the shares they own are not registered in their names but instead registered in the name of a Nominee.

In accordance with securities regulatory policy, Sprout has distributed copies of the materials for the Meeting, being the applicable notice of Meeting and proxy, and this Information Circular, to the Nominees for distribution to non-registered holders.

Nominees are required to forward the materials for the Meeting to non-registered holders to seek their voting instructions in advance of the Meeting. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order to ensure that your shares are voted at the Meeting.

If you, as a non-registered Sprout Shareholder, wish to vote at the Meeting, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the Meeting.

### ***Revocability of Proxy***

Any registered Sprout Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a registered Sprout Shareholder, his attorney authorized in writing or, if the registered Sprout Shareholder is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a proxy by instrument in writing, including a proxy bearing a later date. The instrument revoking the proxy must be deposited at the registered office of Sprout at any time up to and including the last Business Day preceding the date of the applicable Meeting, or any adjournment thereof, or with the chairman of the applicable Meeting on the day of such Meeting. In addition, an instrument of proxy may be revoked: (i) by the Sprout Shareholder personally attending the Meeting and voting the securities represented thereby or, if the Sprout Shareholder is a corporation, by a duly authorized representative of the corporation attending at the Meeting and voting such securities; or (ii) in any other manner permitted by law. **Only registered Sprout Shareholders have the right to revoke a proxy.**

### ***Record Date and Voting of Shares***

Sprout has set July 16, 2024 as the Record Date for the Meeting. Only Sprout Shareholders of record as at that date are entitled to receive notice of and to vote at the Meeting.

Sprout is authorized to issue an unlimited number of Sprout Shares without par value, and an unlimited number of special shares, of which 90,964,806 Sprout Shares were issued and outstanding as of the close of business on the date of this Information Circular. Each issued and outstanding Sprout Share confers upon its holder the right to one vote at any meeting of the Sprout Shareholders.

***Interest of Certain Persons in Matters to be Acted Upon***

TheraCann is a "control person" of Sprout and currently holds 48,211,347 Sprout Shares (referred to herein as the Related Sprout Shares), representing 53% of the issued and outstanding Sprout Shares. Chris Bolton, the CEO and a director of the Company, is a registered and beneficial shareholder of TheraCann and the CEO and a director of TheraCann. As disclosed under the heading "*Principal Holders of Voting Securities*" below, Chris Bolton, exercises control or direction over 5,000,000 TheraCann Shares, representing 43% of the issued and outstanding TheraCann Shares as of the date hereof. Chris Bolton is the only member of the Board or officer of the Company who, through his holdings in TheraCann, held or controlled Sprout Shares as at the Record Date. As discussed under the heading "*Particulars of Matters to be Acted Upon at the Meeting – Sprout Fundamental Change Resolution*" in this Information Circular, the Amalgamation is a "related party transaction" under MI 61-101. Pursuant to MI 61-101, the votes attached to 48,211,347 Common Shares held by TheraCann will be excluded from voting on the Fundamental Change Resolution.

Pursuant to the Amalgamation, the Company will acquire all of the issued and outstanding shares of TheraCann, including those held by Chris Bolton, in consideration for the issuance of Resulting Issuer Shares pursuant to the terms of the Amalgamation Agreement. Additionally, as discussed further under the heading "*Transaction*" the Sprout Shares held by TheraCann will be distributed to the TheraCann Shareholders, on a *pro rata* basis, immediately prior to the closing of the Transaction.

Upon completion of the Amalgamation, the Resulting Issuer Board will consist of current directors Chris Bolton (Chairman), Jaikishin Aswani, Doug Connell, Kevin Delano, Brian Nolan, and Calie-Anne Bolton (Corporate Secretary).

Except as disclosed below and elsewhere in this Information Circular, none of the Company's directors or officers, or their associates and affiliates, have any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting.

Chris Bolton, the current CEO and a director of the Company beneficially owns 5,000,000 TheraCann Shares which will be exchanged for 26,480,000 Resulting Issuer Shares upon completion of the Amalgamation, such that in aggregate it is anticipated that Mr. Bolton will own 26,480,000 Resulting Issuer Shares, equal to approximately 24.3% of the Resulting Issuer Shares.

Kevin Delano, a director of the Company beneficially owns 5,181 TheraCann Shares which will be exchanged for 27,439 Resulting Issuer Shares upon completion of the Amalgamation, such that in aggregate it is anticipated that Mr. Delano will own 18,133 Resulting Issuer Shares, equal to approximately 0.05% of the Resulting Issuer Shares.

Other than in their capacity as Shareholders or as described above or elsewhere in this Circular, no director or senior officer is expected to benefit from the Sprout Fundamental Change upon completion of the Amalgamation.

None of the principal holders of Common Shares or any director or officer of the Company or any Associate or any Affiliate of any of the foregoing persons, has or had any material interest in any transaction or any proposed

transaction that materially affected, or will materially affect, the Company or any of its Affiliates except as disclosed above or elsewhere in this Information Circular or the Schedules hereto.

### ***Principal Holders of Voting Securities***

To the knowledge of the directors and the officers of Sprout, at the date hereof, no person holds, directly or indirectly, or has control or direction over more than ten percent (10%) of the outstanding Sprout Shares, except as follows:

| <b>Principal Holder</b>                                      | <b>Number of Sprout Shares</b> | <b>Percentage of Sprout Shares<sup>(2)</sup></b> |
|--|--------------------------------|--|
| TheraCann International Benchmark Corporation <sup>(1)</sup> | 48,211,347 <sup>(3)</sup>      | 53%  |

Notes:

- (1) As of the date hereof, Chris Bolton, the CEO and a director of Sprout and a CEO and director of TheraCann, exercises control or direction over 5,000,000 TheraCann Shares, representing 43% of the issued and outstanding TheraCann Shares as of the date hereof. Julie-Anne Bolton exercises control or direction over 4,977,500 TheraCann Shares, representing 43.6% of the issued and outstanding TheraCann Shares as of the date hereof.
- (2) Based on 90,964,806 Sprout Shares issued and outstanding as at the Record Date.
- (3) Immediately prior to the completion of the Transaction, TheraCann intends to distribute these Sprout Shares to the TheraCann Shareholders, on a *pro rata* basis. For more information on the Transaction, see disclosure under the heading "Transaction."

## **PARTICULARS OF MATTERS TO BE ACTED UPON AT THE SPROUT MEETING**

### ***Sprout Fundamental Change Resolution***

TheraCann is a "control person" of Sprout and currently holds 48,211,347 Sprout Shares, representing 53% of the issued and outstanding Sprout Shares (the "**Related Sprout Shares**"). As such, under MI 61-101, TheraCann is a related party of the Company and, accordingly, the Amalgamation constitutes a "Related Party Transaction" for the Company within the meaning of MI 61-101. Pursuant to MI 61-101, the Company must obtain a formal valuation unless an exemption from the valuation requirements can be relied upon, and must obtain minority shareholder approval for the in respect of the Sprout Fundamental Change Resolution unless an exemption from the minority approval requirements can be relied upon. An exemption from the formal valuation requirement is available to the Company as the Company is not listed on the prescribed stock exchanges pursuant to section 5.5(b) of MI 61-101 and the Company intends to rely upon such exemption. An exemption is not available for the minority approval requirements for the Sprout Fundamental Change Resolution.

To be effective, the Sprout Fundamental Change Resolution requires the affirmative vote of a simple majority (50%+1) of the votes cast by the Sprout Minority Shareholders. The votes attached to the Related Sprout Shares will be excluded from voting in determining whether the Sprout Fundamental Change Resolution has been approved by Sprout Minority Shareholders. At the Meeting, the Sprout Minority Shareholders will be asked to approve the Sprout Fundamental Change Resolution. See "*The Transaction – Approval of Resolutions*".

Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the Sprout Shares represented by such form of proxy FOR the Sprout Fundamental Change Resolution. If you do not specify how you want your Sprout Shares voted at the Meeting, the persons designated as proxyholders in the accompanying form of proxy will cast the votes represented by your proxy at the Meeting FOR the Sprout Fundamental Change Resolution.

**The Sprout Board unanimously recommends that Sprout Shareholders vote FOR the Sprout Fundamental Change Resolution at the Meeting.**

***Resulting Issuer Director Election Resolution***

At the Meeting, the Shareholders will be asked to elect, conditional and effective only upon the completion of the Transaction, Chris Bolton (Chairman), Jaikishin Aswani, Doug Connell, Kevin Delano, Brian Nolan, and Calie-Anne Bolton (Corporate Secretary) (collectively, the “**Resulting Issuer Board Nominees**”) as directors of the Resulting Issuer by way of approving an Ordinary Resolution approving the election of the Resulting Issuer Board Nominees to the Resulting Issuer Board (the “**Resulting Issuer Director Election Resolution**”). Approval of the Resulting Issuer Director Election Resolution will require the affirmative votes of the holders of not less than a simple majority of the votes cast in respect thereof by Sprout Shareholders via teleconference or by proxy at the Meeting.

**Nominees**

Management of Sprout does not contemplate that any of the Resulting Issuer Board Nominees will be unable to serve as a director upon the completion of the Transaction.

Biographies of each of the Resulting Issuer Board Nominees are set out below:

***Mr. Chris Bolton, Chief Executive Officer and Director***

Mr. Bolton is Chief Executive Officer and Chair of Sprout AI Inc. (CSE:BYFM) and TheraCann International Benchmark Corp. Mr. Bolton has over thirty years of global experience in agricultural science and laboratory operations, manufacturing, quality control, software development, vertical urban farming regulatory compliance, greenhouse gas offset creation and registration, business development and professional consulting. He is a senior executive with a proven reputation for creating a corporate vision to maximize multi-stakeholder input and the knowledge and passion to implement on that vision, and with proven experience in planning, designing, implementing and managing complex technologies while developing an international business operation. Chris holds a Law Degree (LLB) and a Bachelor of Arts with Honours B.A.(Hons.) degree. Prior to holding position as CEO of Sprout AI Inc., Mr. Bolton was the CEO of Benchmark Laboratories Group Ltd, an Operational Director of GE Capital IT Solutions, COO of International Productivity Solutions Inc., CEO of the Siberian Business Development Corporation, CEO of FlashPoint Components Ltd. FlashPoint Innovations Ltd., and Partner of Civil and Criminal litigation at Helgeson, McDonald, Bolton.

***Mr. Jaikishin Aswani, Director***

Mr. Aswani is a supermarkets, real estate development, import and export business leader with over 35 years of experience and a proven track record in international corporate development. Mr. Aswani specializes in guiding

companies through inflection points of growth & expansion, process design & productivity improvement, contract negotiations and strategic alliances, corporate & investment finance, systems & technology utilization. Mr. Aswani has held senior Controller positions within notable international companies such as ADM Americas, Dell, and Grupo Rey, one of Latin America's largest grocery store chains.

***Doug Connell, Director***

Mr. Connell is a senior executive with over 40 years experience and a solid track record in international business expansion, mergers and acquisitions, and corporate finance and governance, working with companies in the technology, real estate, consumer business and manufacturing industries. As both an executive and an advisor, he has played a key role in planning, negotiating and implementing major acquisitions, joint ventures, divestments and financing transactions. Mr. Connell was a senior international tax partner with Deloitte where he advised clients from Fortune 100 companies to family offices on strategies for international growth and expansion, M&A and financings, including public offerings. As a Deloitte partner he held leadership roles in New York, Toronto, Ottawa and Barbados. More recently, Mr. Connell served as global head of tax with Hudson's Bay Company (HBC), a retail and real estate multinational, where he worked closely with the CEO, CFO and the Board of Directors on key business strategies and opportunities in Europe, North America and India. Mr. Connell is both a CPA and a lawyer (called to the Bar of Ontario) and has served on the boards of several private companies in Europe and North America, as well as organizations involved in the performing arts.

***Mr. Kevin Delano, Director***

Mr. Delano, holds a B.Com in Marketing and Management, and has founded / co-founded a number of businesses over the past 30 years. Mr. Delano has a successful track record as CEO, having started and led many companies across a variety of industries, with revenues ranging from \$2 million up to \$90 million with employees up to 400. Mr. Delano has expertise in innovation, strategy, corporate structure, leadership and operations, with strong market know-how in sales & marketing. Notable companies include Karma Casting Inc, Airtell Aerospace Inc., and IMD Health Global Corp (TSXV:DOC).

***Brian Nolan, Director***

Mr. Nolan has over 25 years international experience with international federal border control requirements, and highly regulated product environments. Mr. Nolan has worked within the Government of Canada, as a Senior Program Officer at the Canadian Border Services Agency. In addition, Mr. Nolan has held positions as Vice President of Sales and Marketing for AgriCure Inc. a Canadian based pharmaceutical quality products company, and president of Nudawn Growth Inc., an international pharmaceutical quality products company with operations in North America and Europe.

***Calie-Anne Bolton, Director, Corporate Secretary***

Calie-Anne has over 6 years international experience as corporate secretary for companies both in Canada, and in Panama, since 2017. Calie-Anne also sits on the Board of Directors for TheraCann International, TheraCann International Benchmark Corp, TheraCann Canada Inc., One System One Solution S.A., ETCH Biotrace S.A., and Sprout AI S.A., as well as other companies unrelated to either TheraCann International or Sprout AI. Calie-Anne is currently completing her degree in Bachelor of Business Administration.

For additional information regarding the Resulting Issuer Board Nominees, see “*Schedule C – Information Concerning the Resulting Issuer – Directors and Officers*”.

**THE RESULTING ISSUER DIRECTOR ELECTION RESOLUTION WILL ONLY BE EFFECTIVE IN THE EVENT THAT THE TRANSACTION IS SUCCESSFULLY COMPLETED.**

Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the Sprout Shares represented by such form of proxy FOR the Resulting Issuer Director Election Resolution. If you



do not specify how you want your Sprout Shares voted at the Meeting, the persons designated as proxyholders in the accompanying form of proxy will cast the votes represented by your proxy at the Meeting FOR the Resulting Issuer Director Election Resolution.

**The Sprout Board unanimously recommends that Sprout Shareholders vote FOR the Resulting Issuer Director Election Resolution at the Meeting.**

#### ***Resulting Issuer Auditor Resolution***

At the Meeting, the Sprout Shareholders will be asked to approve the appointment of Segal LLP, Chartered Professional Accountants as auditor of the Resulting Issuer conditional and effective only upon the completion of the Transaction, and to authorize the directors of the Resulting Issuer to fix their remuneration (the “**Resulting Issuer Auditor Resolution**”). Approval of the Resulting Issuer Auditor Resolution will require the affirmative votes of the holders of not less than a simple majority of the votes cast in respect thereof by Sprout Shareholders via teleconference or by proxy at the Meeting.

**THE RESULTING ISSUER AUDITOR RESOLUTION WILL ONLY BE EFFECTIVE IN THE EVENT THAT THE TRANSACTION IS SUCCESSFULLY COMPLETED.**

Unless otherwise indicated, the persons designated as proxyholders in the accompanying form of proxy will vote the Sprout Shares represented by such form of proxy FOR the Resulting Issuer Auditor Resolution. If you do not specify how you want your Sprout Shares voted at the Meeting, the persons designated as proxyholders in the accompanying form of proxy will cast the votes represented by your proxy at the Meeting FOR the Resulting Issuer Auditor Resolution.

**The Sprout Board unanimously recommends that Sprout Shareholders vote FOR the Resulting Issuer Auditor Resolution at the Meeting.**

## **THE TRANSACTION**

#### ***Approval of Resolutions***

TheraCann is a “control person” of Sprout and currently holds 48,211,347 Sprout Shares (referred to herein as the Related Sprout Shares), representing 53% of the issued and outstanding Sprout Shares. As such, the proposed Transaction will constitute a “Related Party Transaction” pursuant to the provisions of MI 61-101. Therefore, at the Meeting, Sprout Minority Shareholders will be asked to consider and, if thought advisable, approve, with or without variation, the Sprout Fundamental Change Resolution approving the Transaction, all as more particularly described herein, in substantially the form of resolution attached as Schedule “A” to this Information Circular. See “*The Transaction – Further Particulars of the Transaction*” below.

As Sprout AI is a company listed on the CSE, it is exempt from the formal valuation requirements of MI 61-101 pursuant to the exemption contained in section 5.5(b) of MI 61-101 on the basis that no securities of Sprout AI are listed or quoted on the markets specified therein.

#### ***Principal Steps of the Transaction***

The principal features of the Transaction are summarized below (and are qualified in their entirety by reference to the full text of the Amalgamation Agreement, attached as Schedule “F” to this Information Circular).

Pursuant to the terms of the Amalgamation Agreement:

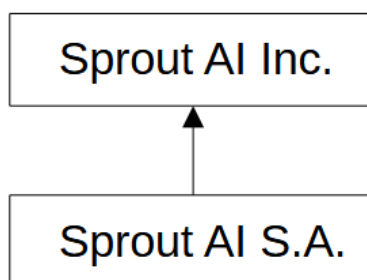
- Sprout will complete the Consolidation and consolidate the Sprout Shares on the basis of one (1) post-Consolidation Sprout Share for every 3.3333 pre-Consolidation Sprout Shares then issued and outstanding;
- Sprout will change its name to “TheraCann Beyond Farming Inc.” or such other name as is acceptable to TheraCann and the regulatory authorities;
- Sprout will acquire all of the issued and outstanding TheraCann Shares pursuant to a three-cornered amalgamation whereby Sprout Subco and TheraCann will amalgamate to form Amalco, and upon completion of the amalgamation, the TheraCann Shareholders will receive 5.296 post-Consolidation Sprout Shares for each one (1) TheraCann Share held (the “**Exchange Ratio**”) and Amalco will become a wholly-owned subsidiary of Sprout, which will be the Resulting Issuer upon the completion of the Transaction; and
- all outstanding convertible securities in TheraCann will be adjusted in accordance with their terms such that, upon exercise or conversion, the holder will receive post-Consolidation Sprout Shares in lieu of TheraCann Shares, subject to the Exchange Ratio.

Immediately prior to completion of the Transaction, all but two\* convertible debentures of TheraCann are anticipated to convert into approximately 1,120,249 million TheraCann Shares (the “**TheraCann Debenture Conversion**”), which shares will be exchanged at the Exchange Ratio for approximately 5,932,836 million post-Consolidation Sprout Shares. Thereafter, in connection with the Transaction, the Related Sprout Shares then held by TheraCann will be distributed to the TheraCann Shareholders, on a pro rata basis, immediately prior to the closing of the Transaction (the “**TheraCann Dividend Distribution**”).

**\*Note:** a total of 2,625,422 TheraCann Shares, inclusive of \$2,500,000 debenture and interest, issued to the K2 Principal Fund L.P., are not subject to the TheraCann Debenture Conversion on basis that this amount, representing two debentures of the K2 Principal Fund L.P. is in dispute and the subject of litigation. See: *Schedule B: LEGAL PROCEEDINGS AND REGULATORY MATTERS*

#### Prior to the Transaction

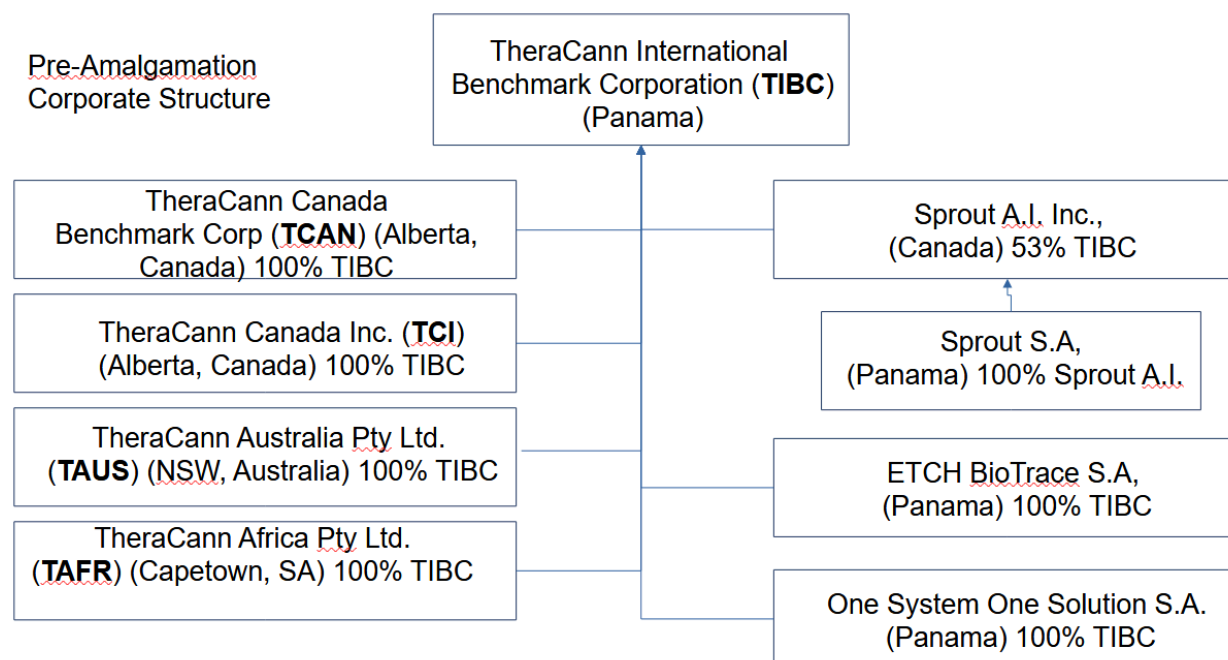
#### **Sprout Corporate Structure**



Sprout Subco is a wholly-owned subsidiary of the Company. Sprout Subco was incorporated on November 19, 2018 in the Republic of Panama through Public Deed No. 30280. Sprout Subco's head office and registered and records office is located at International Business Park, Unit 5B, Building 3860, Panama Pacifico, Republic of Panama and is registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 of October 7, 2019.

Sprout AI Australia Pty Ltd (SAPTY) is also as a fully owned subsidiary of Sprout AI. SAPTY was incorporated September 21, 2021 and remained inactive, never conducting business or having a bank account. SAPTY is now in final process of wind-up. As SAPTY did not conduct any transactions during its brief period of incorporation it will not be considered a material business, or a Subco for the purposes of this discussion. Sprout currently has no active subsidiaries other than Sprout Subco.

### TheraCann Corporate Structure



TheraCann was incorporated under the laws of Panama in April 2017 and operated its head and registered office from International Business Park Unit 5B, Building 3860 Panama Pacifico, Republic of Panama until April 2024. In May 2024 TheraCann relocated to Panama Viejo Business Park, Warehouse G7, Panama City, Panama. TheraCann acts as the parent umbrella corporation for its managed services division shown in the above diagram on left, and for its technology division shown in the above diagram on right. Through the TheraCann Material Subsidiaries, TheraCann conducts business in Australia, Canada, the European Union, Panama, St. Thomas, the United Arab Emirates, the United Kingdom, and the United States.

### Managed Services Division:

TCAN is a wholly-owned subsidiary of TheraCann. TCAN was incorporated on January 12, 2016, under the laws of the Province of Alberta, Canada.

TAUS is a wholly-owned subsidiary of TheraCann. TAUS was incorporated on July 17, 2017 in Australia under the Corporations Act 2001.

TCI is a wholly-owned subsidiary of TheraCann. TCI was incorporated on April 1, 2019, under the laws of the Province of Alberta, Canada.

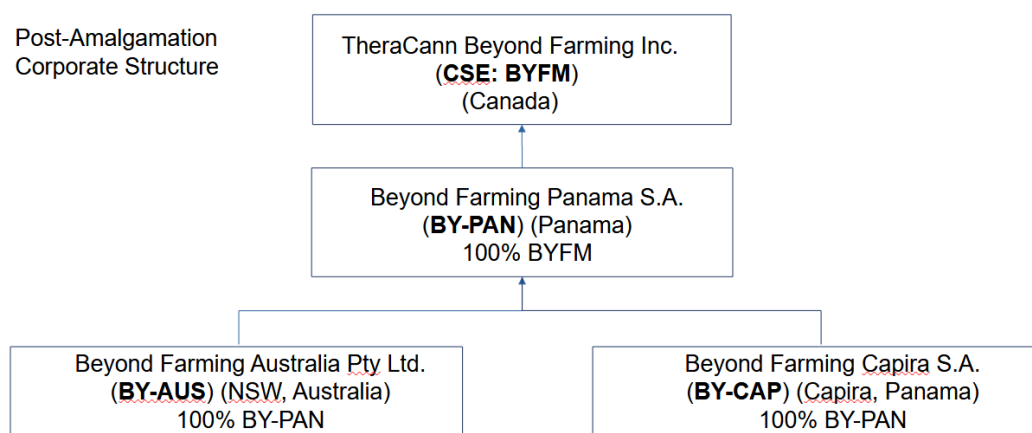
TAFR is a wholly-owned subsidiary of TheraCann. TAFR was incorporated on June 20, 2022 under the laws of South Africa through which African operations are conducted.

#### Technology Division:

ETCH is a wholly-owned subsidiary of TheraCann. ETCH was incorporated on October 3 2018 under Law 32 of the laws of Panama, to provide its ETCH biotrace services for TheraCann.

OS2 is a wholly-owned subsidiary of TheraCann. OS2 was incorporated on February 6, 2018 under Law 32 of the law of Panama, to provide the OS2 services for TheraCann.

#### Following the Transaction



Following the Transaction, Sprout AI Inc will be renamed TheraCann Beyond Farming Inc., and TheraCann International Benchmark Corp, Sprout AI S.A., One System One Solution S.A., and ETCH Biotrace will be consolidated into Amalco, and Amalco will be a wholly owned subsidiary of the Resulting Issuer. The primary Professional Services, and Technology Divisions will continue to operate as separate Departments within Amalco. TheraCann Canada Benchmark Corp, and TheraCann Canada Inc., will complete the wind-up process under the law of Alberta, Canada. TheraCann Africa Benchmark Pty Ltd., will also complete the wind-up process under the law of South Africa. Amalco will be an amalgamated corporation existing under the laws of the Republic of Panama and will be named "Beyond Farming Panama S.A.", or such other name as is acceptable to TheraCann and the regulatory authorities. Beyond Farming Capira S.A. will be incorporated under the laws of Panama for the purpose of operating the Capira expansion project described further below. Upon completion of the Transaction, the address of the registered and records office of Amalco will be Panama Viejo Business Park, Warehouse G7, Panama City, Panama.

There are currently 90,964,806 Sprout Shares and 11,631,431 TheraCann Shares issued and outstanding. Upon completion of the Consolidation, there will be 27,289,715 post-Consolidation Sprout Shares issued outstanding. As a result of the Transaction and assuming the issuance of the maximum number of TheraCann Shares under the Financing, it is expected that the Resulting Issuer will have: (i) 94,822,608 issued and outstanding Resulting Issuer Shares on a non-diluted basis and (ii) a further 14,005,266 Resulting Issuer Shares reserved for issue upon exercise of the outstanding convertible securities. After taking into account the TheraCann Distribution, approximately 29% of those Resulting Issuer Shares will be held by the current shareholders of Sprout and 71% will be held by the current shareholders of TheraCann. The shares held by new "principals" of the Resulting Issuer will be subject to such escrow requirements as may be imposed by the securities regulatory authorities.

TheraCann has initiated a private non-brokered private placement of USD\$5M TheraCann Shares at an issue price of USD\$3.50 per TheraCann Share for aggregate gross proceeds of up to USD\$5M See “Schedule “B” – Information Concerning TheraCann – Financing”.

The following table sets forth the pro forma consolidated capitalization of the Resulting Issuer, assuming completion of the Transaction, based upon the unaudited pro forma consolidated financial statements attached as Schedule “E” to this Information Circular.

|                           |   | Prior to Giving Effect to the Transaction | After Giving Effect to the Transaction        |
|---------------------------|---|---|---|
| Designation of Security   | Amount Authorized                               | Amount Outstanding <sup>(1) (2) (3)</sup> | Amount Outstanding <sup>(1) (2) (3) (4)</sup> |
| Resulting Issuer Shares   | Unlimited                                       | 90,964,806                                | 94,822,608 <sup>(5)</sup>                     |
| Resulting Issuer Options  | 15% of the issued and outstanding Common Shares | Nil                                       | 4,639,205                                     |
| Resulting Issuer Warrants | N/A   | 10,000,000 <sup>(6)</sup>                 | 14,005,266 <sup>(7)</sup>                     |
| Resulting Issuer RSUs     | 15% of the issued and outstanding Common Shares | Nil                                       | 5,594,336 <sup>(8)</sup>                      |

**Notes:**

- (1) Assumes completion of the Consolidation.
- (2) Assumes that none of the outstanding convertible securities of Sprout and TheraCann are exercised.
- (3) Subject to minor deviation as a result of the efforts of rounding at the individual security holder level after giving effect to the Consolidation.
- (4) Assumes issuance of the Resulting Issuer Options and Resulting Issuer RSUs, as anticipated in the Amalgamation Agreement.
- (5) Based on 67,532,893 TheraCann Shares being issued and outstanding immediately prior to the closing of the Transaction, after taking into account the TheraCann Debenture Conversion. 27,289,715 of these Resulting Issuer Shares will be held by former Sprout Shareholders and 61,600,057 of these Resulting Issuer Shares will be held by former TheraCann Shareholders.
- (6) These represent performance based share purchase warrants of Sprout, all of which will be cancelled as of the Effective Time.
- (7) These represent Warrants issues to TheraCann Debenture Holders
- (8) Please see “Resulting Issuer RSUs” for more details regarding the terms of the Resulting Issuer RSUs.

Upon completion of the Transaction, an aggregate of 24,433,185 Resulting Issuer Shares will be reserved for issuance in connection with the following outstanding convertible securities:

- 5,594,336 Sprout RSUs;
- 4,639,205 Sprout Options;
- 2,932,832 TheraCann Warrants; and
- outstanding convertible debentures of TheraCann (“TheraCann Debentures”) having an aggregate principal value of CAD\$6,644,000 with accrued interest of CAD\$2,387,569, and outstanding convertible debentures of TheraCann held by employees and advisors of the TheraCann having an aggregate principal value of \$459,000 (the “TheraCann Employee Debentures”). An aggregate of 1,816,457 TheraCann Shares are issuable on conversion of the TheraCann Debentures and TheraCann Employee Debentures.

Full particulars of the Transaction are contained in the Amalgamation Agreement attached hereto as Schedule “F” and incorporated by reference in this Information Circular.

Interests of Insiders

The following table sets forth the number and percentage of Resulting Issuer Shares which are expected to be beneficially owned, controlled or directed by the proposed principals of the Resulting Issuer immediately following the Transaction, as well as the securities of each of TheraCann and Sprout beneficially owned, controlled or directed by such persons as of the date of this Information Circular:

| <b>Name and proposed position with Resulting Issuer following the Transaction</b> | <b>Number and percentage of TheraCann Shares held as of the date of this Information Circular<sup>(1)</sup></b> | <b>Number and percentage of Sprout Shares held as of the date of this Information Circular<sup>(1)</sup></b> | <b>Number and percentage of Resulting Issuer Shares to be held following the Transaction and the Financing<sup>(2)</sup></b> |
|---|---|--|--|
| Chris Bolton<br>CEO and Director<br>(Chairman)<br>Panama City, Republic of Panama | 5,000,000<br>43.50%   | Nil  | 26,480,000<br>24.3%  |
| Ricardo Ferrer,<br>Chief Operating Officer<br>Panama City, Republic of Panama     | Nil   | Nil  | Nil  |
| Pedro Silva,<br>Chief Financial Officer<br>Lisbon, Portugal                       | Nil   | Nil  | Nil  |
| Jaikishin Aswani, Director<br>Panama City, Panama                                 | Nil   | Nil  | Nil  |
| Kevin Delano, Director<br>Toronto, Canada   | 5,181<br>0.05%  | Nil  | 27,439<br>0.03%  |
| Brian Nolan, Director<br>Toronto, Canada  | Nil   | Nil  | Nil  |
| Doug Connell, Director<br>Ottawa, Canada  | Nil   | Nil  | Nil  |
| Calie-Anne Bolton, Director,<br>Calgary, Canada                                   | Nil   | Nil  | Nil  |

**Notes:**

- (1) The information as to the number and percentage of securities beneficially owned, controlled or directed, has been obtained from the persons listed individually and assumes that no individual listed will participate in the Financing.
- (2) Calculated based upon an anticipated 90,964,806 Resulting Issuer Shares issued and outstanding on a non-diluted basis following completion of the Transaction and assuming completion of the Financing. See also "*Schedule "C" – Information Concerning the Resulting Issuer – Escrowed Securities*".

No director or officer of either Sprout or TheraCann has any material interest, direct or indirect, in any matter to be acted upon at the Meeting, other than as described in the immediately preceding table and as set forth below:

- certain of the directors and officers of Sprout are also shareholders of Sprout and accordingly, such individuals have an interest in the Sprout Fundamental Change Resolution as in the event of approval of such resolution, any Sprout Shares currently held would become Resulting Issuer Shares in connection with the Transaction (see “The Transaction – Effect of the Transaction”); and
- in the event of approval of the Transaction Resolutions, certain of the directors and officers of Sprout will continue as the directors and officers of the Resulting Issuer following the Transaction, and accordingly such directors and officers of Sprout have an interest in the Transaction Resolutions in connection with both their continued directorships and officer positions.

### ***TheraCann Selected Financial Information***

The following table sets out selected financial information for TheraCann for the periods indicated and should be considered in conjunction with the more complete information contained in the financial statements of TheraCann attached as Schedule “D” to this Information Circular. Unless otherwise indicated, all currency amounts relating to the financial statements of TheraCann are stated in Panamanian Balboa which is tied on par with the U.S. dollars.

| <b>Statements of<br/>Income Data:</b> | <b>Fiscal Year ended December<br/>31, 2021<br/>(unaudited)<br/>(in Panamanian Balboa)*</b> | <b>Fiscal Year ended December<br/>31, 2022<br/>(audited)<br/>(in USD\$)</b> | <b>Fiscal Year ended<br/>December 31, 2023<br/>(audited)<br/>(in USD\$)</b> |
|---------------------------------------|--|---|---|
| Sales                                 | 311,923 PAB  | 2,067,723 PAB   | 162,426 PAB   |
| Total Expenses                        | 7,097,575 PAB  | 1,790,293 PAB   | 2,663,921 PAB   |
| Profit (loss) in<br>Operations        | (6,852,318) PAB  | (530,983) PAB   | (2,567,679) PAB   |
| <b>PAB Balance Sheet<br/>Data:</b>    | <b>Fiscal Year ended December<br/>31, 2021<br/>(unaudited)</b>                             | <b>Fiscal Year ended December<br/>31, 2022<br/>(audited)</b>                | <b>Fiscal Year ended<br/>December 31, 2023<br/>(audited)</b>                |
| Total Assets                          | 4,845,635 PAB  | 2,865,938 PAB   | 2,344,183 PAB   |
| Total Liabilities                     | 14,595,633 PAB   | 15,361,883 PAB  | 16,164,948 PAB  |
| Shareholders’ Equity                  | (9,749,998) PAB  | (12,495,945) PAB  | (13,820,765) PAB  |

***\*Panama Balboa is tied to the USD\$, at a conversion of 1 Balboa for 1 USD\$***

### ***Unaudited Pro Forma Consolidated Selected Financial Information***

The following table sets out selected reviewed pro forma consolidated financial information as of pre-amalgamation date August 29, 2024, and post-Amalgamation date August 31, 2024 for the Resulting Issuer, assuming completion of the Transaction as of August 30, 2024 and for the period then ended (reflecting the pro-forma consolidation of the Companies as at such date), and should be considered in conjunction with the more complete information contained in the reviewed pro forma consolidated financial statements attached as Schedule “E” to this Information Circular.

| <b>Balance Sheet Data:</b> | <b>As of August 29, 2024</b> | <b>As of August 30, 2024<sup>(1)</sup></b> |
|----------------------------|------------------------------|--|
|----------------------------|------------------------------|--|

|                      |                |                            |
|----------------------|----------------|----------------------------|
| Total Assets         | \$2,517,259    | \$5,166,209 <sup>(2)</sup> |
| Total Liabilities    | \$16,539,303   | \$6,202,592                |
| Shareholders' Equity | \$(14,022,044) | \$(1,036,383)              |
| Accumulated Deficit  | \$(14,099,358) | \$(8,892,157)              |

**Note:**

(1) Amounts presented reflect the conversion of debentures in TheraCann to Sprout AI, and the elimination of intercompany loans. Through this amalgamation the balance sheet for both TheraCann, and Sprout AI improve greatly from their pre-amalgamation date.

(2) Amounts include the valuation of land purchased for the Capira Project as set out in Schedule "C" – under the heading "Significant Acquisitions and Dispositions"

**Available Funds and Principal Purposes**

A description of the funds available to the Resulting Issuer upon the completion of the Transaction, together with the intended uses for those funds, is set out in Schedule "C" – *Information Concerning the Resulting Issuer* under the heading "Narrative Description of the Business – Use of Available Funds".

**Further Particulars of the Transaction**Reasons for the Transaction

The business combination between the Sprout and TheraCann pursuant to the Amalgamation Agreement was negotiated by Sprout and TheraCann on the basis that it will create long-term value for Sprout Shareholders and TheraCann Shareholders:

- *Intended Benefits of the Transaction*
  - Access to New Capabilities and Resources: Upon completion of the Transaction, it is anticipated that the Resulting Issuer will have access to TheraCann's extensive network, technology solutions, and resources, which the Company believes will assist it in scaling its operations, improving its operational efficiency and accelerating its growth trajectory.
  - Strength in Research and Development: The parties intend for the Resulting Issuer to deploy a new research and development division, with the aim of fostering continuous innovation and the development of progressive farming technologies, genetics, and cultivation practices.
- *Post-Transaction Integration Plans*
  - Leveraging Expertise: Sprout AI and TheraCann intend to integrate their talented teams, promoting knowledge exchange and collaboration to drive innovation and optimize production processes.
  - Vertical Farming Expansion: The parties intend for the Resulting Issuer to further expand its vertical farming operations, introducing new cultivation sites and increasing production capacity to meet growing market demand for sustainable, locally grown produce.
  - Market Penetration: The parties intend for the Resulting Issuer to focus on strengthening customer relationships, capturing new market segments, and expanding its reach through strategic partnerships and alliances.



- Advanced Technology Integration: The parties intend for the Resulting Issuer to leverage TheraCann's technology solutions, with the aim of enhancing its monitoring and automation capabilities, optimizing resource utilization and improving crop quality and yield.

For further details, refer to *"The Transaction – Further Particulars of the Transaction – Recommendations of the Sprout Directors"*.

In determining the number of Resulting Issuer Shares to be issued in exchange for the post-Consolidation Sprout Shares and TheraCann Shares, the Sprout Board and Sprout Board, respectively, considered a number of relevant factors including:

- the market value, financial and other assets, liabilities, contingent liabilities and risks as applicable to each of Sprout and TheraCann; and
- the opportunity for growth in TheraCann's principal projects and additional market opportunities available for the Resulting Issuer as a public company.

See *"The Transaction – Further Particulars of the Transaction – Recommendations of the Sprout Directors"*, and the financial statements attached to this Information Circular.

#### *Recommendations of the Sprout Directors*

**The Sprout Board has reviewed the terms and conditions of the Amalgamation Agreement and the transactions contemplated thereunder and have concluded that such transactions are fair and reasonable to the Sprout Shareholders, and in the best interests of Sprout. The Sprout Board therefore recommends that the Sprout Minority Shareholders vote in favour of the Sprout Fundamental Change Resolution. Management Proxyholders intend to vote proxies received in favour of management for the approval of the Sprout Fundamental Change Resolution.**

In arriving at its respective conclusion, the Sprout Board considered, among other matters:

- information with respect to the financial condition, business and operations, on both a historical and prospective basis, of both Sprout and TheraCann;
- the future prospects of the business of each of Sprout and TheraCann;
- through greater size and diversity, Sprout Shareholders and TheraCann Shareholders will have more exposure to potential investment opportunities;
- current economic and financial market conditions;
- the procedures by which the Transaction is to be approved;
- the tax treatment of Sprout Shareholders in connection with the Transaction;
- the management group and technical team of TheraCann; and
- the regulations of the CSE regarding Fundamental Changes.

The Sprout Board also identified disadvantages associated with the Amalgamation Agreement and the transactions contemplated thereunder, including the fact that after the Transaction:

- Sprout Shareholders will be subject to dilution of their interest in Sprout; and
- the risk factors applicable to the Transaction, and each of TheraCann and Sprout respectively. See *“The Transaction – Further Particulars of the Transaction – Transaction Risk Factors”* and *“Schedule “C” – Information Concerning the Resulting Issuer – Risk Factors”*.

See *“The Transaction – Further Particulars of the Transaction – Recommendations of the Sprout Directors”*, and the financial statements of TheraCann attached as Schedule “D” to this Information Circular and unaudited pro forma consolidated financial statements attached as Schedule “E” to this Information Circular.

#### Transaction Risk Factors

Holding the Resulting Issuer Shares, including those to be issued pursuant to the Transaction, is subject to a number of risk factors. An investment in the Resulting Issuer Shares involves a significant degree of risk. The current business of TheraCann will be the business of the Resulting Issuer upon completion of the Transaction. Accordingly, risk factors relating to TheraCann’s current business will be risk factors relating to the Resulting Issuer’s business.

A summary of the principal risk factors concerning the Resulting Issuer, as well as certain risk factors associated with the Transaction, are set forth below:

- risks associated with the general economic, market and business conditions in Panama, Canada and other countries, including reduced availability of debt and equity financing generally;
- risks inherent in an agricultural business;
- risks associated with the Resulting Issuer’s ability to raise equity and/or debt financing on acceptable terms;
- risks associated with the degree of competitiveness in the industries the Resulting Issuer operates;
- risks associated with the failure to obtain granted patents for applied patents and failure to have patent assignments properly recorded;
- environmental risks;
- risks associated with the Resulting Issuer’s anticipated reliance on key personnel;
- risks associated with the Resulting Issuer’s reliance on permits and licenses;
- risks associated with changes to government policy;
- risks associated with volatility of the market price of the Resulting Issuer Shares;
- unforeseen expenses;
- global financial conditions, including market reaction to COVID-19;
- risks related to the COVID-19 outbreak;
- risks associated with the speculative nature of investing in equity securities;
- risk associated with the results of litigation or regulatory proceedings that may be brought against the Company; and
- risks associated with dilution of the existing shareholders of Sprout and TheraCann.

Sprout Shareholders should review carefully the more detailed risk factors set forth under *“Schedule “B” – Information Concerning TheraCann – Risk Factors”* and *“Schedule “C” – Information Concerning the Resulting Issuer – Risk Factors”*.

#### Conduct of the Meeting and Approvals of the Transaction

##### *Shareholder Approval of the Transaction*

In accordance with the terms of the Amalgamation Agreement, in order for the Transaction to be effected, among other things, (i) the Sprout Fundamental Change Resolution must be approved by the Sprout Minority

Shareholders; and (ii) the TheraCann Amalgamation Resolution must be approved by the TheraCann Shareholders. The Sprout Fundamental Change Resolution to be presented to the Meeting is substantially as set forth in Schedule "A" to this Information Circular. Approval of the Fundamental Change Resolution will require the affirmative votes of the holders of not less than a simple majority of the votes cast in respect thereof by Sprout Minority Shareholders via teleconference or by proxy at the Meeting.

***The Management Proxyholders of Sprout named in the attached form of proxy intend to vote in favour of the Sprout Fundamental Change Resolution, unless a Sprout Minority Shareholder specifies in the proxy that his or her Sprout Shares are to be voted against the Sprout Fundamental Change Resolution.***

The Sprout Board reserves the right at any time prior to the issuance of the Certificate of Amalgamation to determine not proceed with the Amalgamation and the Transaction.

#### Regulatory Approvals

In addition to the shareholder approvals described above, certain Regulatory Approvals will also be required in order to consummate the Transaction. In particular, the CSE has to approve the listing of the Resulting Issuer Shares to be issued in connection with the Transaction and the Listing is subject to Sprout fulfilling all of the requirements of the CSE prior to completion of the Transaction.

***Shareholders of Sprout should be aware that the final approvals have not yet been given by the regulatory authorities referred to above. Sprout cannot provide any assurances that such approvals will be obtained.***

#### Procedure for Exchange

As soon as practicable after the Effective Date, the registrar and transfer agent of the Resulting Issuer, will forward or cause to be forwarded by first class mail (postage prepaid) to such Sprout Shareholder and former TheraCann Shareholder, at the address specified in the share register held by Sprout's transfer agent or as directed by TheraCann, DRS statements issued by such transfer agent, evidencing the number of Resulting Issuer Shares issued to such Sprout Shareholder and former TheraCann Shareholder under the Transaction.

No certificates representing fractional Resulting Issuer Shares shall be issued pursuant to the Transaction. Instead, the number of Resulting Issuer Shares to be issued to a Sprout Shareholder and former TheraCann Shareholder will be rounded down to the nearest whole Resulting Issuer Share.

Sprout's transfer agent shall register the Resulting Issuer Shares in the name of each Sprout Shareholder and former TheraCann Shareholder entitled to receive Resulting Issuer Shares pursuant to the Transaction and Sprout's transfer agent shall deliver the DRS Statements evidencing such Resulting Issuer Shares as soon as practicable after the Effective Date.

#### Fractional Shares

No fractional shares will be issued to Sprout Shareholders or TheraCann Shareholders, as applicable, otherwise entitled to them. Instead, the number of Resulting Issuer Shares to be issued to a TheraCann Shareholder will be rounded down to the nearest whole Resulting Issuer Share.

The foregoing information is a summary only. For further details of procedures, see the Amalgamation Agreement attached as Schedule "F".

#### Fees and Expenses

In accordance with the Amalgamation Agreement, each party to the Amalgamation Agreement shall be responsible for the payment of all expenses incurred by it in connection with the Amalgamation Agreement and the Amalgamation, including but not limited to the fees and expenses of their legal counsel, accountants and auditors, financial and investment advisors, brokers and finders.

#### Canadian Federal Income Tax Considerations

**Because the tax consequences of the Transaction may vary depending upon the particular circumstances of each shareholder and other factors, all holders of Sprout and TheraCann securities are urged to consult with their own tax advisers to determine the particular tax consequences to them of the Transaction.**

For Canadian federal income tax purposes, a TheraCann Shareholder whose TheraCann Shares represent “capital property” generally will not realize a capital gain or capital loss on the exchange of such shares for Resulting Issuer Shares in connection with the Transaction.

#### United States Income Tax Considerations

Completion of the Transaction may have tax consequences under the laws of the United States, and any such tax consequences are not described in this Information Circular. United States shareholders of Sprout and TheraCann are urged to consult their own tax advisors to determine any particular tax consequences to them of the transactions completed in connection with the Transaction.

#### Canadian Securities Laws Considerations

The following is a brief summary of the securities law considerations applying to the transactions contemplated herein. Each holder is urged to consult such holder’s professional advisers to determine the Canadian conditions and restrictions applicable to trades in the Resulting Issuer Shares. Resales of any securities acquired in connection with the Transaction may be required to be made through properly registered securities dealers.

#### *Status of Sprout Under Canadian Securities Laws*

Sprout has been a “reporting issuer” in the provinces of Alberta, British Columbia and Ontario since July 5, 2021. It is a condition of the Transaction that the Resulting Issuer Shares issued in connection with the Transaction are conditionally approved for listing on the CSE.

#### *Issuance and Resale of Resulting Issuer Shares Under Canadian Securities Laws*

The issuance of the Resulting Issuer Shares to TheraCann Shareholders pursuant to the Transaction will constitute a distribution of securities, which is exempt from the prospectus requirements of Canadian securities legislation. The Resulting Issuer Shares may be resold without restriction in each of the provinces and territories of Canada, provided the holder is not a ‘control person’ as defined in the applicable securities legislation, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale.

#### *Application of M1 61-101*

The Company has determined that the Transaction constitutes a Related Party Transaction for the purposes of M1 61-101 as prior to the Transaction, TheraCann is a controlling shareholder of the Company holding 48,211,347 representing 53% of the issued and outstanding shares of the Company.

#### Prior Valuations and Bona fide Prior Offers

As the Company is only listed on the Exchange and no other stock exchange outside of Canada or the United States, MI 61-101 provides an exemption to the general requirement to obtain a formal valuation for a transaction that is a Related Party Transaction. No formal valuations of the Company has been made in the last 24 months, to the knowledge of the Company, the Board and the Company's management.

The Company has not received any bona fide offers from other parties during the 24 months prior to when the Amalgamation Agreement was agreed upon.

#### Minority Approval

MI 61-101 would require that the Company obtain Minority Approval (as defined in MI 61-101) for the Transaction from holders of every class of affected securities, in each case voting separately. The only outstanding classes of affected securities of the Company are the Common Shares. As a result, at the Meeting, the Company shall seek the approval to the Fundamental Change Resolution from a majority of the votes cast by the Sprout Minority Shareholders.

Pursuant to MI 61-101, in determining whether Minority Approval for the Transaction has been obtained, the Company is required to exclude the votes attached to the Common Shares beneficially owned or controlled or over which control or direction is exercised by (a) the Company, (b) an Interested Party (as defined under MI 61-101) (c) a Related Party (as defined under MI 61-101) of an Interested Party or (d) a joint actor with a person referred to in (b) or (c) above. In addition, persons who receive a Collateral Benefit, as defined in MI 61-101, may also be required to have their votes excluded in considering whether Minority Approval has been obtained.

Pursuant to MI 61-101, the Company has determined that the votes attached to 48,211,347 Common Shares held by TheraCann must be excluded from voting on the Fundamental Change Resolution.

#### U.S. Securities Laws

All U.S. Shareholders are urged to consult with their own legal counsel to ensure that the resale of Resulting Issuer Shares issued to them under the Transaction complies with applicable securities laws. Further information applicable to U.S. Shareholders is disclosed under the heading "Note to United States Shareholders".

#### Anticipated Effective Date

If the Transaction Resolutions are passed at the Meeting, and all conditions set out under "*Conditions to the Transaction Becoming Effective*" below are met, it is anticipated that the Transaction will be completed during the middle of September 2024.

#### **Amalgamation Agreement**

The steps of the Transaction, as set out in the Amalgamation Agreement, are summarized under "*The Transaction – Principal Steps of the Transaction*".

The general description of the Amalgamation Agreement which follows is qualified in its entirety by reference to the full text of the Amalgamation Agreement.

#### General

Sprout, TheraCann and Sprout Subco have entered into the Amalgamation Agreement.

In the Amalgamation Agreement, Sprout, TheraCann and Sprout Subco provided representations and warranties to one another regarding certain customary commercial matters, including corporate, legal and other matters, relating to their respective affairs.

Under the Amalgamation Agreement, Sprout, TheraCann and Sprout Subco have each agreed to seek the approval of their respective shareholders for the applicable aspects of the Transaction required to be approved by such shareholders. Sprout and TheraCann have each also agreed to use their respective commercially reasonable efforts to satisfy the conditions to the Transaction set forth in the Amalgamation Agreement, all in accordance with the terms thereof.

#### Representations, Warranties and Covenants

The Amalgamation Agreement contains customary representations and warranties made by each of the parties in respect of the respective assets, liabilities, financial position, business and operations of Sprout, Sprout Subco and TheraCann. Both Sprout and TheraCann also provided covenants in favour of each other in the Amalgamation Agreement which govern the conduct of the operations and affairs of each respective party prior to the Effective Date.

The Amalgamation Agreement contains mutual non-solicitation provisions in favour of both Sprout and TheraCann. TheraCann and its officers, directors, employees, agents or affiliates covenant (i) not to, directly or indirectly, solicit or encourage offers from, initiate, participate in any negotiations or discussions with, enter into any agreements or understandings with, or furnish any information to any third party regarding or in anticipation of any acquisition, merger, arrangement, amalgamation, other business combination, joint venture or equity financing or similar transaction involving TheraCann or any subsidiary or affiliate, their respective common shares or any of their material assets in each case that would be reasonably likely to impede the Amalgamation (any such transactions being referred to as an "**Alternative Transaction**"); (ii) cease and cause any of its subsidiaries and Advisors or otherwise, to cease and terminate any existing activity, discussion or negotiation with any third party in respect of an Alternative Transaction; and (iii) cooperate fully with Sprout and to use all reasonable commercial efforts to otherwise complete the Transaction, unless such cooperation and efforts would subject Sprout to liability or would be in breach of applicable statutory and regulatory requirements.

Sprout and its officers, directors, employees, agents or affiliates covenant (i) not, directly or indirectly, through any of its Advisors or otherwise, solicit or encourage offers from, initiate, participate in any negotiations or discussions with, enter into any agreements or understandings with, or furnish any information to any third party regarding or in anticipation of any Alternative Transaction involving Sprout, Sprout Subco or any other subsidiary or affiliate, their respective common shares or any of their material assets in each case that would be reasonably likely to impede the Amalgamation; (ii) cease and cause any of its subsidiaries and its Advisors or otherwise, to cease and terminate any existing activity, discussion or negotiation with any third party in respect of an Alternative Transaction; and (iii) cooperate fully with TheraCann and to use all reasonable commercial efforts to otherwise complete the Amalgamation, unless such cooperation and efforts would subject TheraCann to liability or would be in breach of applicable statutory and regulatory requirements.

#### 2023/2024 Financing

Between February 2023, and August 2024, TheraCann completed two tranches of a non-brokered private placement (the "**2023/2024 Financing**") of an aggregate of 1,424,586 TheraCann Shares at an issue price of USD\$3.50 per TheraCann Share for gross proceeds of USD\$5,000,000. Financing, will, upon satisfaction of the Closing Conditions, without payment of any additional consideration, be deemed to be exchanged for one Sprout Share at the Exchange Ratio. The Resulting Issuer following completion of the Transaction will use the net proceeds from the 2023/2024 Financing for general working capital purposes.

Conditions to the Transaction Becoming Effective

The Amalgamation Agreement contains certain conditions precedent to the obligations of Sprout, Sprout Subco and TheraCann to complete the Transaction. Unless all of such conditions are satisfied or waived by the party or parties for whose benefit such conditions exist, the Transaction will not be completed. The following is a summary of the significant conditions contained in the Amalgamation Agreement:

- (a) the representations and warranties of the parties herein will be true and correct in all material respects as at the Effective Time, except for such representations and warranties made expressly as of a specified date which will be true and correct in all material respects as of such date;
- (b) all covenants, obligations and conditions of the parties herein on their parts will be performed, satisfied and observed prior to or at the Effective Time will have been performed, satisfied and observed in all material respects;
- (c) the TheraCann Shareholders having approved the TheraCann Amalgamation Resolution;
- (d) the Sprout Minority Shareholders having approved the Sprout Fundamental Change Resolution;
- (e) Sprout having completed the Consolidation;
- (f) the Resulting Issuer Shares being conditionally approved for listing on the CSE;
- (g) effective as of the Closing, the Sprout Board will be comprising the following (or such other persons as are nominees of TheraCann and acceptable to each of Sprout and the Exchange):
  - (i) Chris Bolton (Chairman);
  - (ii) Jaikishin Aswani;
  - (iii) Kevin Delano;
  - (iv) Brian Nolan;
  - (v) Doug Connell;
  - (vi) Calie-Anne Bolton (Secretary); and
  - (vii) an additional director as mutually agreed upon by the parties;
- (h) all necessary corporate action will have been taken to appoint the following persons, effective upon the Closing, as the management of Sprout:
  - (i) Chris Bolton, Chief Executive Officer;
  - (ii) Ricardo Ferrer, Chief Operating Officer;
  - (iii) Pedro Silva, Chief Financial Officer;
  - (iv) Shawn Kelly, Chief Revenue Officer
- (i) each of the directors and officers of TheraCann having tendered their resignations and provided mutual releases in a form acceptable to TheraCann and Sprout, each acting reasonably;
- (j) all consents, waivers, permits, exemptions, orders, consents and approvals required to permit the completion of the Transaction having been obtained;
- (k) no prohibition at law, order or decree restraining or enjoining the consummation of the Transaction;
- (l) all other approvals, consents and orders that are necessary or advisable for the consummation of the Transaction, including, but not limited to, the approval of the Exchange of the Amalgamation and the

listing of the post-Consolidation Sprout Shares, will have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, all on terms satisfactory to each of the parties hereto, acting reasonably;

- (m) the approval of the Registrar of the Amalgamation will have been obtained under the Law 32 Panama;
- (n) on the Effective Date, no cease trade order or similar restraining order of any other provincial securities administrator relating to the Sprout Shares, the post-Consolidation Sprout Shares, the TheraCann Shares or the Amalco Shares being in effect; and
- (o) the distribution of Amalco Shares and the post-Consolidation Sprout Shares pursuant to the Transaction shall be exempt from the prospectus requirements of applicable Canadian securities laws either by virtue of exemptive relief from the securities regulatory authorities of each of the provinces of Canada or by virtue of applicable exemptions under applicable Canadian securities laws and shall not be subject to resale restrictions under applicable Canadian securities laws other than as applicable to Control Persons or pursuant to section 2.6 of National Instrument 45-102 – *Resale of Securities of the Canadian Securities Administrators*.

#### Termination

The Amalgamation Agreement may, with certain exceptions, be terminated (a) by either of Sprout (on behalf of itself and Sprout Subco) or TheraCann, if the Effective Time has not occurred on or before September 30, 2024, or such other date as mutually agreed to between TheraCann and Sprout, provided that the party then seeking to terminate this Agreement is not then in default of any of its obligation; (b) by Sprout (on behalf of itself and Sprout Subco) or TheraCann, if there has been a breach of any of the representations, warranties, covenants and agreements on the part of the other party, which breach has or is likely to result in the failure of the conditions precedent set out in the Amalgamation Agreement and is not cured within ten (10) business days following receipt by the breaching party of written notice of such breach by the non-breaching party; (c) by Sprout (on behalf of itself and Sprout Subco) or TheraCann if any permanent order or decree preventing the consummation of the Amalgamation will have become final and non-appealable; (d) by Sprout (on behalf of itself and Sprout Subco) if the Amalgamation Resolution is not approved by the TheraCann Shareholders; and (e) by TheraCann if the Fundamental Change Resolution is not approved by the Sprout Minority Shareholders.

***The full particulars of the Transaction are contained in the Amalgamation Agreement attached as Schedule “F” to this Information Circular.***

**Notwithstanding the approval of the Sprout Fundamental Change Resolution by Sprout Shareholders and the TheraCann Amalgamation Resolution by TheraCann Shareholders, each of the foregoing resolutions authorize the directors of Sprout and TheraCann, as applicable, to abandon the transactions contemplated by the Amalgamation Agreement without further approval from the Sprout Shareholders or TheraCann Shareholders, respectively.**

#### **INTERESTS OF INSIDERS**

For a table which sets forth the number and percentage of Resulting Issuer Shares which are expected to be beneficially owned, controlled or directed by the proposed principals of the Resulting Issuer immediately following the Transaction, as well as the securities of each of Sprout and TheraCann beneficially owned, controlled or directed by such persons as of the date of this Information Circular, see “Schedule “C” – Information Concerning the Resulting Issuer – Escrowed Securities – Escrow Shares”.



The Transaction is not an arm's length transaction to each of Sprout and TheraCann as TheraCann is a controlling shareholder of Sprout.

#### **INFORMATION AND APPROVALS**

The information contained or referred to in this Information Circular with respect to Sprout has been furnished by Sprout. The information contained or referred to in this Information Circular with respect to TheraCann has been furnished by TheraCann. Sprout and its respective directors and officers have relied on the information relating to TheraCann provided by TheraCann and take no responsibility for any errors in such information or omissions therefrom.

The Sprout Board has approved the contents of this Information Circular and the delivery hereof to Sprout Shareholders of record as of the Record Date.

**SCHEDULE "A"****SPROUT FUNDAMENTAL CHANGE RESOLUTION****RESOLUTION OF THE SHAREHOLDERS OF  
SPROUT AI INC.****(the "Corporation")****WHEREAS:**

- A. on April 22, 2023, the Corporation entered into a non-binding letter of intent (the "**LOI**") with TheraCann International Benchmark Corporation ("**TheraCann**") outlining the general terms and conditions pursuant to which TheraCann and the Corporation agreed to complete a proposed business combination (the "**Business Combination**") that will result in a reverse takeover of the Corporation by the current shareholders of TheraCann, which constitutes a "fundamental change" of the Corporation within the meaning of policy 8 of the Canadian Securities Exchange (the "**CSE**");
- B. on May 29, 2023, pursuant to the LOI, the Corporation, TheraCann, and a wholly-owned subsidiary of the Corporation, Sprout AI, S.A. ("**Sprout Subco**"), entered into an amalgamation agreement (the "**Amalgamation Agreement**") whereby the parties agreed to carry out the Business Combination by way of a three-cornered amalgamation among the Corporation, TheraCann and Sprout Subco, and whereby the parties agreed that the combined resulting entity (the "**Resulting Issuer**") will carry on the business of TheraCann;
- C. management of the Corporation believes that it is in the best interests of the Corporation and the shareholders of the Corporation to complete the Business Combination and enter into any ancillary agreements in order to effect the transactions contemplated thereunder (collectively, the "**Transactions**"); and
- D. a copy of the Amalgamation Agreement and disclosure with respect to the Business Combination, the Transactions and the Resulting Issuer has been provided to the shareholders of the Corporation in connection with approval of the Transactions.

**NOW THEREFORE BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:**

- 1. The completion of the Transactions, including the Business Combination, by the Corporation are hereby authorized and approved.
- 2. Any director or officer of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute and deliver all documents and instruments and to do all things necessary or desirable to give effect to this resolution, the Transactions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of such actions.
- 3. Notwithstanding that this resolution has been passed by the shareholders of the Corporation, the board of directors of the Corporation is authorized, in its sole discretion, to determine not to proceed with the Transactions, including the Business Combination, without further approval of the shareholders at any time prior to the effective date of the Business Combination.

## SCHEDULE "B"

### INFORMATION CONCERNING THERACANN

*The following is a summary of TheraCann, its business and operations, which should be read in conjunction with the information concerning TheraCann appearing elsewhere in this Information Circular to which this Schedule "B" is attached. The information contained in this Schedule "B" – "Information Concerning TheraCann" is given as at April 5, 2024 on a pre-Transaction basis, unless otherwise indicated.*

*Capitalized terms used but not otherwise defined in this Schedule "B" – "Information Concerning TheraCann" shall have the meaning ascribed to them in this Information Circular. See "Glossary of Defined Terms" in this Information Circular. Unless otherwise indicated herein, references to "\$", or "Canadian dollars" are to Canadian dollars, and references to PAB, or Panamanian Balboa are equivalent in value to the United States dollar. See also under the heading "Cautionary Note Regarding Forward-Looking Statements" to this Information Circular.*

*Information in this Schedule "B" – "Information Concerning TheraCann" pertaining to TheraCann has been furnished by TheraCann. With respect to this information, the Sprout Board has relied exclusively upon TheraCann without independent verification by Sprout. Although Sprout does not have any knowledge that would indicate that such information is untrue or incomplete, neither Sprout nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information.*

### DESCRIPTION OF THE BUSINESS

#### Corporate Structure

##### Name, Address and Incorporation

TheraCann International Benchmark Corporation ("**TheraCann**") was incorporated under the laws of Panama on April 28, 2017.

TheraCann's head and registered office is Panama Viejo Business Park, Warehouse G7, Panama Pacifico, Panama City, Republic of Panama.

Through its subsidiaries described below, TheraCann conducts business in Australia, Canada, the European Union, Panama, St. Thomas, the United Arab Emirates, the United Kingdom, and the United States.

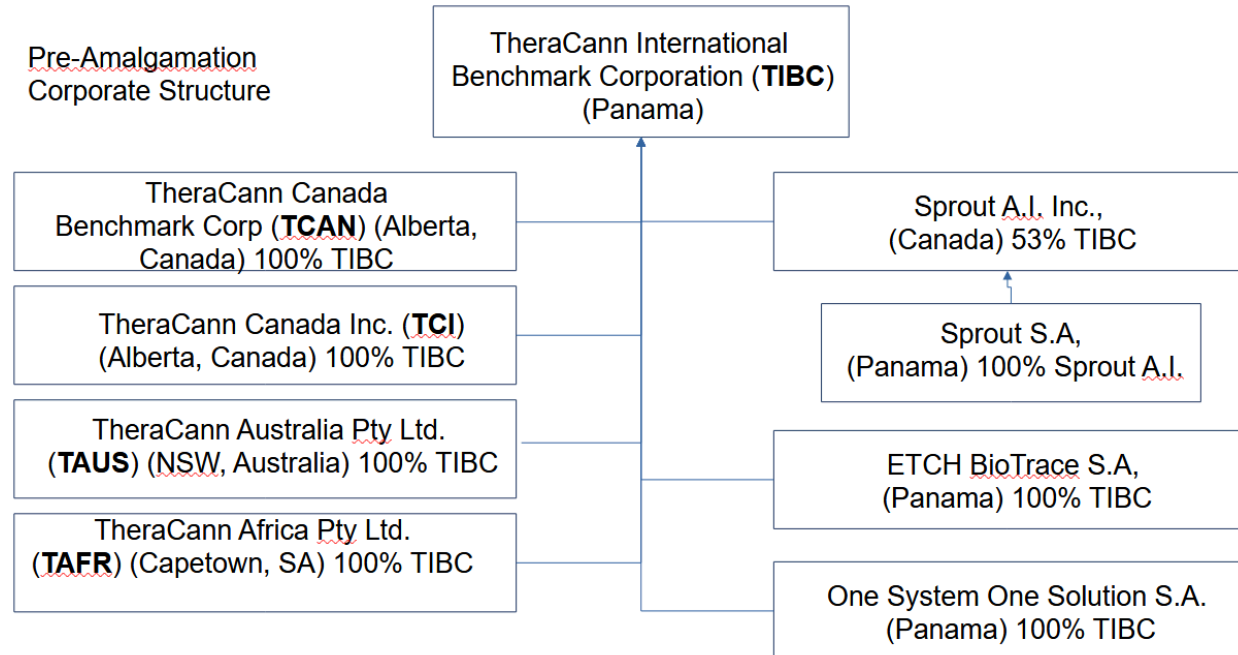
Chris Bolton, the founder of TheraCann, established a Panamanian domicile for TheraCann's operations after receiving advice from a recognized international accounting firm. From April 2018 to April 2024, TheraCann's head office was registered within the Panama Pacifico Special Economic Zone (the "**Pacifico Zone**") which at that time possessed a number of benefits, including tax exemptions and immigration rules which are expected to readily facilitate the issuance of visas and work permits for its employees. However, during this period it was determined that the Pacifico Zone did not possess adequate infrastructure to accommodate TheraCann's expanding Panamanian operations. Consequently on May 1, 2024, TheraCann relocated its head office, showroom, R&D and assembly operations to Panama Viejo Business Centre, Panama City. From this new location TheraCann continues to take advantage of Panama's many logistical advantages to further assist TheraCann in delivering its Farm as a Solution (FaaS) Facilities globally, given that it has access to the Panama Canal and can readily facilitate shipping to global markets.

##### Material Subsidiaries

The current organizational chart of TheraCann, setting out the material subsidiaries of TheraCann, is set forth below. The diagram illustrates the corporate structure and provides the names, the percentage of voting

securities owned (directly or indirectly) by TheraCann, and the jurisdiction of incorporation, continuance or formation of TheraCann's subsidiaries:

Image 1: TheraCann Organizational Structure



TheraCann – TheraCann International Benchmark Corporation is a Panama-based enterprise engaged in providing full turnkey farm as a solution (FaaS) facilities that include professional services, technologies (hardware, software, and tracability) and analytics for the global urban indoor vertical farm industry. The collective of professional services, technologies and analytics is known as the "**BenchmarkSOLUTION**". TheraCann acts as the parent umbrella corporation for its **managed services division** shown in the above Image 1 on left, and for its **technology division** shown in the above Image 1 on right. It is through the BenchmarkSOLUTION that TheraCann is able to provide both its managed services and technologies globally.

#### Managed Services Division:

TheraCann Australia Benchmark Pty Ltd. ("**TAUS**") delivers TheraCann's services and technologies within Oceania, Central and South America.

TheraCann Africa Benchmark Pty Ltd ("**TAFR**") had managed TheraCann's African projects from 2022 through 2023, and now following closure of those projects has proceed to wind-up by end of 2024.

TheraCann Canada Benchmark Corporation ("**TCAN**") has remained relatively inactive since its closure in Q1 2020 due to COVID-19 mandated business restrictions, and is scheduled to wind-up by end of 2024.

TheraCann Canada Inc. ("**TCI**") has remained relatively inactive since its closure in Q1 2020 due to COVID-19 mandated business restrictions, and is scheduled to wind-up by end of 2024.

In future, the resulting entity will create new corporate in-country entities, either as fully owned subsidiaries, or as regional departments, to manage FaaS facilities within those countries.

## Technology Division:

**Sprout AI S.A.**, is the entity that provides the hardware for indoor vertical cultivation. Sprout AI invents, manufactures, assembles and distributes vertical cultivation technology. Sprout AI technology is crop agnostic, and as such, is able to cultivate the widest number of different vegetable, fruit and mushroom crops within the same facility without need to customize the facility to manage multiple cultivation environments. It is the goal of Sprout AI to ensure product consistency within strict EU good manufacturing practice (EU GMP) requirements. In 2021, TheraCann entered into a Definitive Agreement with 1262803 B.C. Ltd. to sell Sprout AI S.A. to 1262803 B.C. Ltd. through a reverse take over (RTO) resulting in the public listing of Sprout AI Inc. on the Canadian Securities Exchange (CSE) under trading symbol BYFM. Following the RTO, the mind and management of TheraCann continued to control Sprout AI, and TheraCann remained the controlling shareholder of Sprout AI, holding 53% of all outstanding shares, with performance-based warrants to purchase an additional 7% ownership position within Sprout AI Inc. Upon the completion of the RTO, independent directors were added to the board to represent non-TheraCann based shareholders. At the time of this Circular TheraCann has not pledged or otherwise sold any of its shares held within Sprout AI. Although Sprout AI is marketed and sold as part of TheraCann's turn-key BenchmarkSOLUTION under a "You Own" TheraCann Managed Services Agreement (MSA), it can be sold as a stand alone technology using a Cultivation as a Service (CaaS) standard agreement.

**One System, One Solution S.A."OS2"** is the entity that provides the software for Sprout AI's indoor vertical cultivation hardware. OS2 invents, codes, develops and supports its own multi-lingual, multi-currency, software and artificial intelligence (AI) technology for the purpose of providing a complete and fully configurable enterprise relational planning and compliance (ERPc) software that includes, but is not limited to, an artificial intelligence (AI) module for the operation of Sprout AI cultivation equipment. Rather OS2 is also a secure Web based record keeping, quality assurance, good management practice, communications, inventory management, production, processing, distribution and sale of crop software program capable of tracking every gram of crops produced, processed and/or distributed from a licensed location as well as to track all proceeds from the associated transactions. Although OS2 has been purposely designed to be deployed using the Sprout AI cultivation technology, and ETCH biotrace traceability technology as part of the turn-key BenchmarkSOLUTION, it can be sold as a stand alone ERPc technology using a Software as a Service (SaaS) standard agreement.

**ETCH biotrace S.A.** is the entity that provides the traceability of crops produced from Sprout AI hardware, and recorded in OS2 software, through the use of irremovable food grade safe taggants. ETCH Biotrace invents, manufactures, assembles and distributes plant taggant technology for the purpose of providing repeatable, economical, practical, scalable, safe and secure means of ensuring each crop and / or batch of crops are properly marked for future identification and traceability. This ensures easy recall, and avoids risk of counterfeit crops entering the market under the company's branding or logo, or that under a white label opportunity. Although ETCH biotrace has been purposely designed to be deployed using the Sprout AI cultivation technology as part of the turn-key BenchmarkSOLUTION, it can be sold as a stand alone technology using a Taggant as a Service (TaaS) standard agreement.

TheraCann first envisioned, and then guided, the development of each of the above technologies for the purpose of providing repeatable, economical, practical, scalable, safe and secure (REP4S) solutions to the many challenges faced by urban indoor vertical farming, and in so doing ensuring each batch of crops is of highest quality, without biological or chemical contaminants.

## General

TheraCann was incorporated in 2017 in the Republic of Panama for the purpose of developing 3 core technologies, and a method of delivering those technologies ("BenchmarkSOLUTION") that would result in a low cost, turn-key Farm as a Solution (Faas) Facility. Panama was selected on basis that:

- Panama's intellectual property protection is under penal, as opposed to civil law, giving immediate and direct access to criminal court in the case of IP theft or violation;
- TheraCann would have direct, and preferential access, to the Panama Canal for receiving components for assembly and shipping of final cultivation technology is available,
- Panama provided tax free zones that eliminated import, export, and corporate tax on operations;
- Panama has a well educated, and multilingual workforce;
- Panama's economy is based on the Balboa currency which is on par with the United States Dollar;
- Panama's climate rarely is impacted by inclement weather resulting in lost work days;
- labour fees are below, or on par with north american wage requirements;
- Panama has a number of Universities able to provide TheraCann with students for the purpose of supporting practicum and mentorship programs, including students from Biochemistry, Food Science, and Technology; and
- following Panama Papers has one of the most robust and secure banking systems in the world to satisfy KYC and AML requirements.

### **R&D Phase: 2017-2019**

From 2017-2019, TheraCann worked to be inducted in the highly coveted high technology and tax free park of Panama Pacifico. By end of 2019 TheraCann had advanced OS2 to version 5 (OS2 v5), and was using OS2 daily for its own ERP requirements, had created a pre-commercial version (Sprout AI v1) of Sprout AI using aeroponics, and a pre-commercial version (ETCH Biotrace v1) for the purpose of plant traceability DNA applied onto the plant (non-GMO). It was during this time that TheraCann incorporated Sprout AI S.A., One System One Solution S.A., and ETCH Biotrace S.A. for the purpose of planning, designing these technologies, and proceeding with TradeMark and Patent.

### **Pre-Commercial Phase: 2021-2023**

Following the mandatory shut down in 2020 due to COVID, TheraCann resumed full operations in Q1 2021 for the purpose of further development of its technologies, while advancing client indoor vertical farm projects globally. In 2022 Sprout AI v2 was released as a major advance to indoor vertical farming technology, through the replacement of high failure aeroponic systems with low, to no risk of failure, fogponic systems. Similarly ETCH Biotrace was advanced to v2, and v3, offering a total of 3 novel inventions of additional traceability taggant technologies that were deemed to be food safe. In 2022, having obtained its license to cultivate, produce, and distribute, vegetable and fruit crops at its Centre of Excellence (COE) in Panama City, Republic of Panama, TheraCann focused on directly engaging with local grocery stores, restaurants, and universities, to provide "pure" fruits and vegetables to be sold directly within the community in which they were cultivated. It was during this phase that TheraCann proceeded to validate its technologies, and their effectiveness, through partnership with independent third party organizations.

Firstly, in order to compare, TheraCann established a 5-year contract with the [Instituto de Investigación Agropecuaria de Panamá \(IDIAP\)](#) (Panama Federal Department of Agriculture, Department of Innovation). This collaboration allowed for weekly side-by-side comparisons in terms of crop cycle time, water and power consumption, labor costs, and yield of Sprout AI performance to other indoor and traditional outdoor technologies. In the first year long test of cultivation potato seed's using Sprout AI's aeroponic, and fogponic habitats, against other indoor hydroponic and areoponic technologies, as well as outdoor traditional cultivation, Sprout AI's technology was proven to be more productive, in less cycle time to produce. This data provided valuable insights into the efficiency and cost-effectiveness of TheraCann's approach, and the first results of which were announced on National Television on May 13, 2023.

Secondly, TheraCann established a 3-year contract with the [Universidad Especializada de las Américas \(UDELAS\)](#) to conduct testing on the biological and consumer quality of our produce. Through this collaboration, we are able to evaluate important attributes such as color, texture, size, aroma and taste, as well as shelf life. Following a year long testing of strawberries produced from our facility, that compared color, texture, size, aroma, taste and shelf-life to

the primary imported and domestic leading hydroponic produced strawberries, the published results proved that strawberry's produced using our Sprout AI hardware and OS2 software were the primary consumer choice for purchase.

In July 2021, TheraCann sold Sprout AI S.A., its wholly owned division, to 1262803 B.C. Ltd. through a reverse take over (RTO) resulting in the public listing of Sprout AI Inc. on the Canadian Securities Exchange (CSE) under trading symbol BYFM. Following the RTO the mind and management of TheraCann continued with the control of Sprout AI, but adopted an independent board of directors to represent the shareholders of Sprout AI. Following the RTO TheraCann has remained the single largest shareholder of Sprout AI, holding a 53% ownership in all outstanding public shares of Sprout AI. At the time of this Circular TheraCann has not pledged or otherwise sold any of its shares held within Sprout AI. TheraCann remains the only distributor of Sprout AI technology.

During this period, TheraCann produced over 30 different types of fruits and vegetables, for delivery and wholesale to grocery stores, and restaurants.

During this period, TheraCann also completed its assembly line for the OS2 AI controller that is mounted to the Sprout AI hardware for cultivation operation, record keeping, and crop management. Consequently, TheraCann met a major milestone in demonstrating that it could produce 30 Sprout AI controllers per month from its facility in Panama, that were then subsequently shipped as a bulk order to its then Client Ivory Medical in Zimbabwe.

During this period, TheraCann planned, designed, and implemented a 78,000 ft<sup>2</sup> (7,700m<sup>2</sup>) Commercial Production Centre (CPC) in Zimbabwe, as well as a stand alone processing facility, to meet EU GMP compliance requirements.

During this period, TheraCann was able to demonstrate that Sprout AI v2 is able to operate as a water neutral crop cultivation technology, and that through its OS2 AI software properly monitor, manage, and optimize power use to significantly lower power consumption per crop.

In May 2024 TheraCann was accepted into the Mohammed Bin Rashid Innovation Fund (MBRIF) COHORT8 Accelerator program designed to assist emerging technologies to enter global markets, and to seek international financing for those projects.

Based on the above, the requirements of those grocery store and restaurant procurement officer demands, it was decided to move to the next phase, commercialization.

#### **Commercial Phase: 2024**

At the commencement of the commercial phase in Q1 2024, TheraCann will offer its BenchmarkSOLUTION either as a **"You Own"** or a **"We Own"** model.

Under a **"You Own"** model, TheraCann will deploy its BenchmarkSOLUTION to plan, design, implement and manage the facility under a 5 year renewable Farm as a Service (FaaS) managed service agreement. Under this agreement TheraCann will receive monthly payment to plan, design, and construct the project. Then once the project is in production, TheraCann receives a % of gross sales to cover cost of onsite staff required to cultivate, market, sell the produce, in addition to payment to purchase Sprout AI cultivation equipment and license to access TheraCann's standard operating procedures (SOP's), ETCH biotrace, and One System One Solution (OS2) secure web based enterprise resource planning and compliance (ERPc) software.

Under a **"We Own"** model, TheraCann will deploy its BenchmarkSOLUTION to plan, design, implement and manage the facility to produce for 3rd parties (including grocery stores, restaurants, culinary training facilities, and direct to consumer retail sales). This Farm as a Service (FaaS) is provided to 3rd Parties as an "Open Rolling Order" agreement. Under the "We Own" model TheraCann receives 100% of gross sales to cover cost of onsite staff required to cultivate, market, sell the produce, in addition to payment to purchase Sprout AI cultivation equipment

and license to access TheraCann's standard operating procedures (SOP's), ETCH biotrace, and One System One Solution (OS2) secure web based enterprise resource planning and compliance (ERPc) software.

Based on TheraCann's own direct experience with operations within different sizes of facilities since inception, the above models are made available as small sized Discovery Centre (DC) facilities, medium sized Centre's of Excellence (COE) facilities, and large sized Commercial Production Centres (CPC) facilities.

TheraCann's vision remains to be a leader in the urban indoor vertical Farm as a Solution (FaaS) Facility industry through innovation and adaptation to ever changing requirements within the sector. By delivering high quality and in-demand services, technologies and analytics, TheraCann is positioned to provide disruptive solutions to the industrial food supply chain and regulatory problems. TheraCann's goal is to make BenchmarkSOLUTION a globally trusted brand by regulators, law enforcement, crop producers, processors, distributors, consumers, transporters and analytical laboratories.

All of TheraCann's current activities are in the initial phases of commercialization. However, the need for domestic food security worldwide is a high priority of both municipal, provincial/state and federal governments. This has become even more urgent due to the rising cost of food due to inflation, loss of cost effective transport to import produce from foreign countries, the need to reduce greenhouse gas resulting from long distance transport of crops, climate change, increase in border control managing terrorist risks associated with food tampering, lack of domestic food production due to loss of access to primary fertilizers and many other related issues. As such, recent events including empty grocery store shelves, lack of produce selection, short produce shelf life, and high produce pricing, are expected to accelerate demand for the production of these crops by TheraCann within those domestic markets. TheraCann

The following is a more detailed description of TheraCann's business activities.

### ***Operations to Date***

Under the "You Own" model described above, TheraCann's Consulting Services division currently has in excess of three clients who are attempting to obtain licensing to participate in the urban indoor vertical farm industry. This turn key solution, known under the brand name "BenchmarkSOLUTION" has been marketed and / or sold into over 15 countries commencing in 2016. TheraCann's Consulting Services division has directly assisted over 200 clients in the plan, design, implementation and/or operating of their licensed indoor cultivation facilities. Contracts are typically multi-year renewable agreements. The typical Consulting Services contract with a client is based on payment of consulting fees until the applicable facility achieves commercial operation, and the financial arrangement then converts to a royalty payment stream or equity issuance to TheraCann. In the case of a royalty arrangement, the royalty is typically a percentage of gross revenues for the first five years of operations. This engagement will typically auto-renew at the end of this five year period unless terminated in writing within six months of the termination period. Of the existing contracts of Consulting Services, approximately one-third are structured as royalty arrangements. In its last active "You Own" model, TheraCann planned, designed, implemented and managed the construction of a TheraCann Commercial Production Centre (CPC) in Zimbabwe as well as a secondary processing facility. TheraCann then proceeded to deliver the first partial order of 75 Sprout AI habitats to Zimbabwe, as part of the total 1,500 habitat order. Unfortunately, due to destabilizing influences within Zimbabwe this project was not fully completed.

Under the "We Own" model described above, TheraCann has selected in excess of 25 locations for BenchmarkSOLUTION FaaS Facilities. As part of its commercialization plan, TheraCann left its Centre of Excellence (COE) sized facility in Panama Pacifico on April 30th, 2024 as the first step in opening a Commercial Production Centre (CPC) sized facility in Capira, Republic of Panama. During the construction of the CPC which is to commence in Q4 2024, having secured land for this facility, TheraCann has as of May 1, 2024 occupied a Discovery Centre (DC) sized facility to act as a showroom, to continue R&D, and act as the primary assembly area for Sprout AI controllers to be used at the Capira CPC.



Upon achieving the establishment of a total of 3 or more “We Own” facilities, TheraCann will proceed to evolve the “You Own” model into a full franchise model.

#### *Operations to Date*

The market for the Sprout AI system is nascent, presenting an opportunity for growth and expansion. Under the “You Own” model, TheraCann currently holds three existing managed services agreements (MSAs), one of which includes a 10% ownership stake in a consortium awaiting a DEA license. While these projects have faced delays due to client financing issues and regulatory processes, upon commencement, we anticipate delivering over 1,050 Sprout AI habitat units valued at US\$17.3 million, alongside Professional Services under BenchmarkSOLUTION valued at over \$23 million. If deposits are secured to initiate these projects, it is estimated to take 1-2 years for full delivery and installation of all habitats.

Under the “We Own” model, TheraCann obtained a license for Sprout AI to produce and distribute cultivated produce at the COE, commencing marketing and sales in January 2023. By January 2024, TheraCann had secured qualified vendor status at three major grocery chains and one restaurant chain in Panama, necessitating the transition from the existing COE to a new commercial production center (CPC). Revenue from the CPC is projected to exceed US\$11.8 million annually, with an EBITDA of 76.5%, yielding \$7.7 million in earnings before income tax.

TheraCann has also initiated plans to expand its footprint, with a Letter of Intent (LOI) to establish a Discovery Centre (DC) in Indiana and a Memorandum of Understanding (MOU) for a CPC in Dubai. Combined revenue from these facilities is forecasted to reach US\$13.7 million annually, providing US\$8.3 million per year. Over the next four years, TheraCann aims to install an additional 24 facilities, among 7 different countries, encompassing DCs, COEs, and CPCs, with projected annual revenues exceeding \$150 million, achieving an EBITDA of 69%.

The above noted agreements above do not include the completion of a 78,000 sq. ft. facility in Zimbabwe that TheraCann planned, designed and implemented for the purpose of housing up to 1450 Sprout AI habitats valued at a total sale of over \$22.5M for Sprout AI and over \$42M in managed services to TheraCann. TheraCann had obtained a purchase order for 140 habitats to be delivered to a project in Zimbabwe as part of the first delivery on a total order of 1450 habitats valued at over US\$22.5M. Unfortunately, the project site that was guarantee’d to have access to adequate electrical power did not have access on date of building completion due to Zimbabwe’s failing public electricity utility, and subsequent reliance on South Africa’s electric utility that has also failed to provide reliable daily electricity. In addition, the client has not been able to complete payment on the first 140 habitats and consequently the order has not been fully delivered.

While these projections demonstrate our optimistic outlook, it is important to note that forward-looking statements are subject to inherent risks and uncertainties, and actual results may differ materially from those anticipated. TheraCann remains committed to transparency and will continue to update stakeholders on our progress.

#### **Significant Acquisitions and Dispositions**

In July 2024 TheraCann entered into a Promise to Purchase Agreement, and a Trust Agreement whereby TheraCann has deposited into Trust 728,271 TheraCann common shares (“the block”) valued at USD\$3.50 per share for a total value of USD\$2,548,950 in addition to a USD\$100,000 refundable deposit, for a total of \$2,648,950 in exchange for two adjoining parcels of undeveloped land (“the Land”) totalling 76,328 m2 (7.63 Hectares) appraised by Colliers International to be valued at \$2,648,950. The Land is located in Capira which is within 50 kilometers of downtown Panama City. Under the terms of the Trust, these TheraCann shares will be converted to Sprout AI shares under the terms of the Amalgamation. Post-Amalgamation the timing, and number of shares within this block, that are posted for sale will be determined by the Management of the resulting entity. Management will have until December 19, 2024 to complete the sale of these shares. If the value of shares of the resulting entity is

greater than \$3.50 per share, and a total of \$2,648,950 has been received, any remaining unsold shares will be returned by the Trust to the Endeavor Trust under the name of the resulting entity. One portion of this property that is connected to municipal roads and utilities will be used to construct a Commercial Production Centre (CPC) sized facility. The building used for this CPC will be an Allied Steel food-grade fabricated structure, measuring a total of 7,700 m<sup>2</sup>. The structure will be located within 800 meters of one of Panama's largest food processing centres serving one of Panama's largest grocery store chains. The budget for this project is \$16.5M which includes the Allied Steel building, Sprout AI equipment, and costs of construction. Funding for this project will be partially provided as debt and equity, and construction is expected to commence by Q3 2024. This CPC will hold up to 1,500 Sprout AI Habitats, producing over 360,000 KG of our "pure" produce per year. Wholesale of all produce will be provided under terms of open purchase agreements and off-take agreements with the adjacent 3rd party industrial food processing center, as well as competitive grocery store chains. Based on the current list of high value crops that the Capira Project will produce is valued at \$45 per Kg. Cost to produce these crops is estimated to be \$8 per Kg, resulting in a net profit of \$32 per Kg. Annual sales from this project are estimated to be \$14.4M per year.

In 2021, TheraCann entered into a Definitive Agreement with 1262803 B.C. Ltd. to sell to 1262803 B.C. Ltd. Sprout AI S.A.. through a reverse takeover (RTO) resulting in the public listing of Sprout AI Inc. on the Canadian Securities Exchange (CSE) under trading symbol BYFM. Following the RTO the mind and management of TheraCann continued with the control of Sprout AI, but adopted an independent board of directors to represent the shareholders of Sprout AI. Following the RTO TheraCann has remained the single largest shareholder of Sprout AI, holding a 53% ownership in all outstanding public shares of Sprout AI. At the time of this Circular TheraCann has not pledged or otherwise sold any of its shares held within Sprout AI.

In 2018 TheraCann acquired the exclusive rights to utilize the Non-GMO Technology from Applied DNA, to be added as a component of the ETCH biotrace system. In December 2019 TheraCann relinquished its exclusivity on basis that the Non-GMO taggant was simply unaccepted by the general retail community for use on plants cultivated for human consumption.

In 2017 TheraCann entered a joint venture agreement with TKS Ventures (doing business as "The Tokes Platform"). Upon completion of both the POS and EPCIS blockchain development for integration directly to One System One Solution (OS2) software, TKS Ventures Tokes Token had lost over 95% of its market value. Consequently, as the TKS Token was no longer able to adequately maintain valuation of transactions initiated by OS2, TheraCann and TKS Ventures agreed to dissolve the joint venture in December 2018. However, the ability to complete this segment of integration between OS2 and future reliable Token providers remains active and open for future partnerships.

## **Business Objectives**

Following the completion of TheraCann's pre-commercialization phase, TheraCann is taking bold steps to capitalize on the global demand for locally produced, high-quality fruits, vegetables, and mushrooms. TheraCann's unique farm production habitats allow delivery of fresh products straight to the consumers' tables (Farm to Fork).

To optimize costs, TheraCann has selected Allied Steel Buildings, a leading building fabricator, to provide their pre-planned and pre-fabricated structures. Similarly, TheraCann has selected AWS Global Services, a leading secure Web virtual database and software hosting company, to provide their secure access and hosting of TheraCann's OS2 web based software, and supporting IoT applications. Lastly, TheraCann has selected multiple vendors for its critical component parts, as well as selected vendors who can provide discounts on bulk orders, to further reduce capital cost of Sprout AI, and AI controller components. These strategic collaborations have significantly reduced TheraCann's building, OS2 hosting, and Sprout AI & ETCH biotrace equipment cost expenses.

As a result of these cost optimizations, TheraCann is capable of offering up to 27 urban Farm as a Solution (FaaS) facilities for the price of just one competitive farm, such as reported by Areofarm, CropOne, Plenty or InFarm facility.

Furthermore, our building and equipment assets are "non-stranded," meaning they can be easily disassembled, and relocated, minimizing the risk of any stranded assets.

For the successful and rapid deployment of our facilities, TheraCann has sought and obtained non-binding Term Sheets, and Memorandum of Understandings (MOU's), to receive further investment ranging from \$38 million to \$250 million. This investment will be made between 2024 and 2025 post-amalgamation between TheraCann and Sprout.

In addition, TheraCann has secured, and is in process of securing, additional low interest debt to provide short term OPEX for the commencement of this expansion period. Our comprehensive five-year business model predicts that these short term debt instruments will be repaid within this period, while still enabling profits to be generated from our FaaS site production. Looking ahead to our ten-year business plan, which is not detailed here, we are confident that the investment costs will be fully recoverable, allowing for substantial profits and dividends to be distributed during the last quarter of the first decade of our operations.

### **Facilities**

Since the commencement of 2019, TheraCann's base of operations was its Centre of Excellence (COE) utilizing its 5 year lease of 3,480,45 square meters (37,463. square foot) warehouse that included a 2 level office in the Panama Pacifico Zone. TheraCann currently utilizes the facility as its head office. The purpose of this space was multi-fold and includes but not limited to providing:

- managed services international training to TheraCann employees, vendors, consultants corporate clients that includes hands-on training on cultivation, processing, extraction, pack and label, disposal, analytical laboratory, storage and security technologies and equipment currently provided by TheraCann Managed Services Division.
- Sprout AI research and development of automated vertical growing fogponic habitats, habitat assembly, habitat quality assurance testing, and international shipping of Sprout AI habitats, component parts, and sundry items
- ETCH biotrace ongoing research and development of Non-GMO taggant technologies
- OS2 ongoing software development and integration, infrastructure and help desk support.

Following the expiry of this lease, TheraCann began the process of relocation to 2 separate locations commencing April 2024. These include:

- The Head Office:
  - will be to the Panamá Viejo Business Center Industrial Complex located in downtown Panama City.
  - includes but not limited to providing:
    - o managed services international training to TheraCann employees, vendors, consultants corporate clients that includes hands-on training on cultivation, processing, extraction, pack and label, disposal, analytical laboratory, storage and security technologies and equipment currently provided by TheraCann Managed services.
    - o Sprout AI research and development of automated vertical growing fogponic habitats, habitat assembly, habitat quality assurance testing, and international shipping of Sprout AI habitats, component parts, and sundry items
    - o ETCH biotrace ongoing research and development of Non-GMO taggant technologies
    - o OS2 ongoing software development and integration, infrastructure and help desk support.
- The Production & Processing Centre:
  - o will be located in the township of Capira, located 40 kilometres from downtown Panama City.

- o includes the commercial production and processing for distribution of fruit, vegetables, and mushrooms directly to TheraCann's grocery store, and restaurant Clients within Panama City and surrounding area.

TheraCann's TCAN, TCI, and TAUS offices operate from virtual offices, and do not have any other permanent offices or facilities than those listed above.

### **Future Developments**

TheraCann expects to deploy capital to secure additional patent and intellectual property protection, identify and develop relationships with emerging technology partners through acquisition or merger, build the existing brand and advocacy efforts through public policy, lobbying and media awareness and continue to enter new and emerging legal markets worldwide, while planning, designing, implementing, managing and owning its own urban indoor vertical farming facilities within multiple major cities of multiple countries globally.

### **Competitive Conditions**

TheraCann faces competition in relation to each of its three operating areas.

In relation to Consulting Services, the primary indoor vertical cultivation consulting companies are related specifically to the cannabis indoor cultivation sector, and do not provide adequate consulting services to non-cannabis unregulated multi-crop indoor operators. Those that are focused on urban farming remain as small organizations that service domestic, rather than international, markets. Fewer still provide consulting services for indoor urban farming technologies other than hydroponics. One exception is Agriculture (<https://www.agritecture.com/>) which provides a project feasibility study, engineering, sourcing of vendors and equipment, project design, project management and operational support.

In relation to ETCH biotrace, there are few entities that provide on plant, or in plant, taggants. Rather, focus has been on providing taggants for use on the chemicals (e.g. tagging fertilizer and pesticides) used on crops – see: NanoMatrixSecure (<https://www.nanomatrixsecure.com>) Companies that have demonstrated direct plant taggant include Applied DNA Science using their Non-GMO DNA taggant, have not been widely accepted by the general population for consumption.

In relation to Sprout AI, which uses fogponics (an air environment for the plants), there are alternative methods such as hydroponics, and aeroponics, which uses a liquid nutrient solution or soil. There are a number of competitors in hydroponics, and aeroponics, but few can be found within the fogponics field, and at time of this article none were found that have international operations or published ambitions.

With the growth of the urban indoor vertical farm industry worldwide, it can be expected that there will continuously be new competitors who will offer services and products to compete with those offered by TheraCann.

### **Proprietary Protection**

TheraCann and its brands have a series of pending trademarks filed under the World Intellectual Property Organization (WIPO) mainly centered on brand names, logos, and other design elements in over 150 countries.

Similarly Sprout AI has filed a patent under the World Intellectual Property Organization (WIPO) that provides extended protection to over 150 countries. These include, but are not limited to:

GB2117915.5, 10/12/2021, Patent, Non-Provisional, GB - United Kingdom, GB2613633, Published, METHOD AND SYSTEM FOR AUTOMATED INDOOR VERTICAL CULTIVATION OF PLANTS

PCT/IB2022/062076, 12/12/2022, Patent, Non-Provisional, WO - World Intellectual Property Organization (WIPO), WO2023105502, Published, METHOD AND SYSTEM FOR AUTOMATED INDOOR VERTICAL CULTIVATION OF PLANTS

GB2308692.9, 09/06/2023, Patent, Non-Provisional, GB - United Kingdom, Pending, METHOD AND SYSTEM FOR AUTOMATED INDOOR VERTICAL CULTIVATION OF PLANTS

GB2308694.5, 09/06/2023, Patent, Non-Provisional, ZA - South Africa, Pending, METHOD AND SYSTEM FOR AUTOMATED INDOOR VERTICAL CULTIVATION OF PLANTS

SG10202113746Y10/12/2021, Patent, Non-Provisional, SG – Singapore, Pending, METHOD AND SYSTEM FOR AUTOMATED INDOOR VERTICAL CULTIVATION OF PLANTS

TheraCann intends to apply for additional patents for its ETCH biotrace, and OS2 ERPC systems.

## **Employees**

In total of all international operations, including its overlap with Sprout AI, TheraCann currently has 15 full time employees, and 8 consultants. TheraCann has completed its "C" level and Director level hires and is now in process of ramping up additional staff to deliver TheraCann's services, technologies and analytics.

## **DEVELOPMENT OF THE BUSINESS**

### **History**

TheraCann was incorporated on April 28<sup>th</sup>, 2017 pursuant to Law 32, of the laws of Panama under the name "TheraCann International Benchmark Corporation". On April 13, 2018, TheraCann amended its articles to remove a right of first refusal for current shareholders, as well as effecting an amendment of the share capital of TheraCann to change every one (1) issued and outstanding TheraCann common share in the capital of TheraCann into one thousand common shares (1000), which was approved on March 1, 2018.

TheraCann was formed to develop certain businesses related to the cultivation, extraction, distribution and sale of crops and crops related products in jurisdictions where such activities are authorized under applicable law.

On July 17, 2017, a wholly owned subsidiary, TheraCann Australia was incorporated in Australia under the Corporations Act 2001, through which TheraCann's Australia and New Zealand operations are conducted.

On February 6, 2018, One System One Solution S.A. was incorporated under Law 32 of the law of Panama, to provide the OS2 services for TheraCann.

On January 1, 2019 TheraCann opened its new facility in Panama Pacifico, which will serve multiple purposes including the development of its Managed Services division, Sprout AI, ETCH biotrace and OS2.

On October 3, 2018, a wholly owned subsidiary, ETCH biotrace S.A. was incorporated under Law 32 of the laws of Panama, through which TheraCann will provide its ETCH biotrace services.

On November 19, 2018, Sprout AI S.A was incorporated under Law 32 of the laws of Panama to provide enterprise relational planning and compliance software for TheraCann.

On March 25, 2020, the Panamanian Government declared “State of National Emergency” requiring all non-essential services to be closed, and remain closed, until or at such time as the state of emergency was lifted. Consequently, TheraCann, Sprout AI S.A, ETCH biotrace S.A., and One System One Solution S.A., necessarily closed its office at the COE, in Panama Pacifico, Republic of Panama, and remaining staff continued to work from home. Similarly for TAUS and TCAN. Staff who chose to resign were accepted and their severance packages settled.

On May 31, 2021, 1262803 B.C. Ltd. changed its name to Sprout AI Inc., and Sprout AI S.A. was sold by TheraCann to Sprout AI Inc.

On July 5, 2021, Sprout AI Inc. began to trade publicly on the Canadian Securities Exchange (CSE).

On June 20, 2022, a wholly owned subsidiary, TheraCann Africa Benchmark Pty Ltd was incorporated under the laws of South Africa through which African operations are conducted. Following the severe crisis faced in the region due to political, economic, currency and banking issues, this office was voluntarily closed in September 2023.

On June 2, 2023, TheraCann International, and Sprout AI Inc., announced a definitive agreement had been signed to commence the amalgamation between the two companies, whereby the resulting entity would be renamed TheraCann Beyond Farming Inc. Shortly there after stock trading on Sprout AI Inc., under symbol BYFM, was halted pending the completion of the consolidated IFRS audit of TheraCann and Sprout AI, and the issuance of a Circular, and Proxy to the shareholders of Sprout AI to vote on accepting the amalgamation.

On May 1, 2024, TheraCann entered into a new lease agreement for a warehouse in Panama Viejo Business Centre, to operate as its headquarters, R&D and showroom in advance of its expansion Commercial Production Centre (CPC) FaaS Facility project initiation in Capira, Panama.

On May 20, 2024, Beyond Farming Panama S.A. was formed to pre-present AMALCO for the purpose of this Amalgamation.

On July 15, 2024, the consolidated IFRS audit for 2022, 2023, and Q1 2024 quarterly review was completed for TheraCann International, resulting in the issuance of the Circular and Proxy to the shareholders of Sprout AI to vote at a special meeting of shareholders.

On July 17, 2024, TheraCann International initiated the Trust that holds the title to property in Capira, Republic of Panama, on which a Commercial Production Centre (CPC) FaaS Facility will be constructed. The land was purchased in exchange for Common “A” Voting shares in TheraCann International.

On July 17, 2024, TheraCann International closed its non-brokered Private Placement in advance of its amalgamation. The details of which are described below under “Private Placement”.

## Financing Activities

### *TheraCann Debenture Offerings*

TheraCann completed a private placement which closed in five (5) tranches between March 29, 2018 and August 30, 2019 for an aggregate of CAD\$6,644,000 (the “**Debenture Offering**”). The Debenture Offering consisted of convertible debenture units, with each TheraCann Debenture having a purchase price of CAD\$10,000 and consisting of \$10,000 principal amount and 2,000 TheraCann Share purchase warrants (the “**TheraCann Warrants**”). The TheraCann Debentures carry a term of two years (“**Maturity Date**”) and bear interest at a rate of 8% per annum. Interest is not paid, and instead accrues and is payable upon maturity or conversion of the TheraCann Debentures. The TheraCann Debentures were convertible at the option of the holder into TheraCann

Shares at any time prior to the close of business on the date that is two years from the date of issuance, at a conversion price of CAD\$7.50 per TheraCann Share, subject to certain adjustments in the event of Liquidity Event.

#### TheraCann Debenture Amendments

As of the date hereof, all TheraCann Debentures have reached their maturity. However, in accordance with certain security confirmation & amendment agreements ("**Security Confirmation & Amendment Agreements**"), the TheraCann Debentures are subject to amendments (the "**TheraCann Debenture Amendments**") pursuant to which:

- the Maturity Date of such TheraCann Debentures will be extended to August 31, 2024;
- the TheraCann Debentures will be convertible at the option of the holder into TheraCann Shares at any time prior to (i) the completion of a Liquidity Event (as defined below); and (ii) the Maturity Date;
- the conversion price will be reduced to CAD\$5.25; and
- in the event that TheraCann completes a Liquidity Event (as defined below) prior to the applicable Maturity Date, the TheraCann Debentures and all accrued and unpaid interest will automatically convert into TheraCann Shares at a price of CAD\$5.25.

In consideration for the TheraCann Debenture Amendments, the Company has agreed to issue additional TheraCann Warrants, as described below under the heading "*Warrant Issuances, Extensions and Amendments.*" Only debentureholders who sign a Security Confirmation & Amendment Agreement will be subject to the TheraCann Debenture Amendments and will receive the additional TheraCann Warrants. If TheraCann does not receive an executed Security Confirmation & Amendment Agreement from any debenture holder, such holder's TheraCann Debentures will not be amended in accordance with the TheraCann Debenture Amendments and the original terms of their TheraCann Debentures will continue to be in force.

#### *TheraCann Employee Debentures*

TheraCann effected a separate offering of TheraCann Employee Debentures to its employees and advisors in February 2019 in the aggregate amount of \$459,000. The Maturity Date of the TheraCann Employee Debentures is two years and they bear no interest. Prior to the Maturity Date, the TheraCann Employee Debentures were convertible at the option of the holder into TheraCann Shares at a conversion price of CAD\$5.00 per TheraCann Share, subject to certain adjustments in the event of Liquidity Event. The TheraCann Employee Debentures have reached their maturity. Had TheraCann completed a Liquidity Event prior to the Maturity Date, the TheraCann Employee Debentures would automatically convert into TheraCann Shares at a price equal to a 50% discount to the conversion price of CAD\$5.00 being a conversion price CAD\$2.50 (the "**Employee Liquidity Conversion Price**").

#### TheraCann Employee Debenture Amendments

- As of the date hereof, all TheraCann Employee Debentures have reached their maturity. However, in accordance with certain security confirmation & amendment agreements ("**Employee Security Confirmation & Amendment Agreements**"), the TheraCann Employee Debentures are subject to amendments (the "**TheraCann Employee Debenture Amendments**") pursuant to which:
  - the Maturity Date of such TheraCann Employee Debentures will be extended to August 31, 2024;  
and
  - the TheraCann Employee Debentures will be convertible at the option of the holder into TheraCann Shares at any time prior to (i) the completion of a Liquidity Event (as defined below); and (ii) the Maturity Date at the Employee Liquidity Conversion Price.

### Warrant Issuances, Extensions and Amendments

- As disclosed above, TheraCann issued TheraCann Warrants to the subscribers to the offering. A total of 1,194,800 TheraCann Warrants were issued. Each TheraCann Warrant has an exercise price equal to CAD\$7.50 per TheraCann Share. In the event a TheraCann Warrant has not been exercised prior to a Liquidity Event, such TheraCann warrant will be exercisable at a price equal to the Liquidity Conversion Price. The TheraCann warrants expire at the earliest of: (i) one year from the Liquidity Event; or (ii) two years from the date of issuance.
- As consideration for extension of the expiry date of the TheraCann Warrants, TheraCann issued 2,500 additional TheraCann Warrants to the TheraCann Warrant holders who signed amendment agreements in connection therewith. In connection therewith, TheraCann issued an aggregate of 292,500 TheraCann Warrants each exercisable at a price of a 30% discount to Liquidity Event Price until August 31, 2024 (holders of such TheraCann Warrants referred to as the "**July 31 Warrant holders**"). As a result and as of the date hereof there are a total of 631,500 TheraCann Warrants outstanding as follows:
  - there are an aggregate of 292,500 TheraCann Warrants outstanding, each exercisable at a price of a 30% discount to Liquidity Event Price until August 31, 2024 held by the July 31 Warrant holders;
  - there are an aggregate of 339,000 TheraCann Warrants outstanding, each exercisable at a price of a 20% discount to Liquidity Event Price at any time after a Liquidity Event until the date that is 18 months from a Liquidity Event (holders of such TheraCann Warrants referred to as the "**18 Month Warrant holders**"); and
  - the balance of the TheraCann Warrants have expired (holders of such TheraCann Warrants referred to as the "**Expired Warrant holders**");
- In accordance with the Security Confirmation & Amendment Agreements:
  - TheraCann will issue additional TheraCann Warrants to the July 31, 2023 Warrantholders, the 18 Month Warrantholders and the Expired Warrant holders, with each TheraCann Warrant exercisable at a price of \$1.32 any time after a Liquidity Event until the date that is 18 months from a Liquidity Event;
  - the exercise price of the TheraCann Warrants held by the 18 Month Warrantholders will be reduced to \$1.32; and
  - the exercise price of the TheraCann Warrants held by the July 31 Warrantholders will be reduced to \$1.32 and the expiry date of such TheraCann Warrants will be amended such that they will be exercisable at any time after a Liquidity Event until the date that is 18 months from a Liquidity Event,

(collectively, the "**TheraCann Warrant Issuances and Amendments**").
- Only Warrantholder who sign a Security Confirmation & Amendment Agreement will be subject to the TheraCann Warrant Issuances and Amendments, as applicable, and will receive the additional TheraCann Warrants.
- A "**Liquidity Event**" is defined as: (i) the listing of the TheraCann Shares on a recognized exchange, (ii) the sale of all or substantially all of the issued and outstanding TheraCann Shares or all or substantially of the assets of the Company for cash proceeds or for securities provided that such securities are listed and posted for trading on a stock exchange; or (iii) the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving the Company with or into another entity pursuant to which the common shares of the resulting issuer from such transaction are listed on a stock exchange. Due to COVID 19 related force majeure events, the Debenture Agreement expiry date was extended through amending agreements to August 31, 2024.



- The proposed Transaction is expected to constitute a Liquidity Event. Immediately prior to completion of the Transaction, all TheraCann Debentures (principal and interest) are anticipated to convert into approximately 1,816,457 million TheraCann Shares, which TheraCann Shares will be exchanged at the Exchange Ratio for approximately 9,043,384 million post-Consolidation Sprout Shares. Upon completion of the Transaction, all outstanding TheraCann Warrants will be adjusted, in accordance with their terms, such that upon exercise, holders of such TheraCann Warrants will receive post-Consolidation Sprout Shares, instead of TheraCann Shares, at the Exchange Ratio.

### *Private Placement*

Between February 2023 and April 2024, TheraCann completed two tranches (“the 2023/2024 Financing”) of an aggregate of 1,424,586 TheraCann Shares at an issue price of USD\$3.50 per TheraCann Share for gross proceeds of USD\$5,000,000.

### **Recent Developments**

- In July 2024, and as part of its \$5M non-brokered private placement, TheraCann entered into a Promise to Purchase Agreement, and a Trust Agreement whereby TheraCann has deposited into Trust 728,271 TheraCann common shares (“the block”) valued at USD\$3.50 per share for a total value of USD\$2,548,950 in addition to a USD\$100,000 refundable deposit, for a total of \$2,648,950 in exchange for two adjoining parcels of undeveloped land (“the Land”) totalling 76,328 m<sup>2</sup> (7.63 Hectares) appraised by Colliers International to be valued at \$2,648,950. The Land is located in Capira which is within 50 kilometers of downtown Panama City. Under the terms of the Trust, these TheraCann shares will be converted to Sprout AI shares under the terms of the Amalgamation. Post-Amalgamation the timing, and number of shares within this block, that are posted for sale will be determined by the Management of the resulting entity. Management will have until December 19, 2024 to complete the sale of these shares. If the value of shares of the resulting entity is greater than \$3.50 per share, and a total of \$2,648,950 has been received, any remaining unsold shares will be returned by the Trust to the Endeavor Trust under the name of the resulting entity. One portion of this property that is connected to municipal roads and utilities will be used to construct a Commercial Production Centre (CPC) sized facility. The building used for this CPC will be an Allied Steel food-grade fabricated structure, measuring a total of 7,700 m<sup>2</sup>. The structure will be located within 800 meters of one of Panama’s largest food processing centres serving one of Panama’s largest grocery store chains. The budget for this project is \$16.5M which includes the Allied Steel building, Sprout AI equipment, and costs of construction. Funding for this project will be partially provided as debt and equity, and construction is expected to commence by Q3 2024. This CPC will hold up to 1,500 Sprout AI Habitats, producing over 360,000 KG of our “pure” produce per year. Wholesale of all produce will be provided under terms of open purchase agreements and off-take agreements with the adjacent food processing centre, as well as competitive grocery store chains. Based on the current list of high value crops that the Capira Project will produce is valued at \$45 per Kg. Cost to produce these crops is estimated to be \$8 per Kg, resulting in a net profit of \$32 per Kg. Annual sales from this project are estimated to be \$14.4M per year.
- In May 2024, TheraCann was accepted to participate in COHORT 8 round of the [Mohammed Bin Rashid Innovation Fund \(MBRIF\)](#). MBRIF is an initiative from the Ministry of Finance (MoF), established to provide assistance to innovators with an aim to create a positive impact on the economy of the United Arab Emirate (UAE). MBRIF provides access to affordable debt finance for innovative growth stage companies such as TheraCann that have the potential to contribute to UAE’s economic development and diversification. Access to finance support is provided in the form of government-backed credit guarantees without diluting equity. This programme enables the UAE to be a launch pad for innovators, attracting and localising their innovations. TheraCann has been working weekly with MBRIF’s innovation accelerator program to receive introductions to key ministries, while completing due diligence in advance of project

funding. TheraCann has designed the UAE to receive one, to a maximum of ten, Commercial Production Centre (CPC) Facilities. The site for the first project has been selected within the City of Dubai, and pending confirmation of financing, construction will begin in Q1 2025.

- In March 2024, the [UDELAS University](#) completed a shelf-life product longevity study comparing the shelf life of both traditionally grown outdoor, and indoor hydroponic, aeroponic and fogponic grown strawberries. Based on the results of this shelf-life TheraCann's Sprout AI strawberries grown using Sprout AI aeroponic and fogponic technologies were shown to remain fresh for up to 28 days. Competing traditional outdoor strawberry's demonstrated less than 10 days freshness without signs of deterioration. Sampling of TheraCann Sprout AI strawberry's included over 4,000 berries collected during weekly harvests at TheraCann's Sprout AI Center of Excellence (COE) facility in Panama Pacifico, Panama. Strawberries were measured for color, sign of mold, and deterioration. The full findings of this 12 month study will be presented in Frankfurt, Germany by UDELAS in November 2024.
- In January 2024 TheraCann entered into a three year agreement with [Manipal Academy of Higher Education, Dubai Campus \(MAHE DUBAI\)](#) (MAHE Dubai). MAHE Dubai is an off-shore branch campus of Manipal Academy of Higher Education (MAHE) Manipal, India, one of the largest private universities in India enrolling over 25,000 student's across 23 disciplines. MAHE established its presence in Dubai, UAE in 2000, and opened its iconic state-of-the-art campus in 2021. At present MAHE has capacity to enroll over up to 4,000 students annually, and houses cutting-edge laboratories in engineering, biotechnology, and information technology. Under a three year agreement with MAHE, TheraCann will provide a 5 month rotational internship program to students for the purpose of direct hands on experience related to the indoor vertical cultivation, and processing, of fruit, vegetables, and mushrooms using TheraCann's Sprout AI hardware and OS2 software. Students (Interns) who participate in this program shall receive approximately US\$200 per month to pay for transportation to TheraCann's CPC Facility in Dubai. Research will be conducted on a collaboration basis with MAHE in the area of Food and Nutrition, vegetation technology including but not limited to Robotics, IoT, Data Science, and Machine Learning. Results shall be jointly published.
- In January 2023 a "You Own" Commercial Production Centre (CPC) Facility was fully implemented by TheraCann using the BenchmarkSOLUTION for the purpose of producing regulated and licensed medical cannabis for Ivory Medical LLC. in Zimbabwe. TheraCann operated as primary Project Manager, the plan, design, and implementation of a CPC sized facility in Headlands, Zimbabwe, including the rapid plan, design, and implementation of a second onsite facility referred to as a "external processing facility" (EPF). The main warehouse was to receive up to 1,150 Sprout AI habitats, operated using OS2 software, and ETCH biotrace technology. The first partial delivery of 75 components of the initial order for 150 Sprout AI habitats was delivered to the project site in Q1 2023. Both facilities were scheduled to receive and complete their good management practice (GMP), and later European good management practice (EU-GMP) audits. During this project the full BenchmarkSOLUTION turn-key service was provided under TheraCann's "Your Own" Managed Services Agreement (MSA). Had the project become fully operational, TheraCann projected a total sale of \$2.5M of Sprout AI Hardware, together with an estimate of \$80M related to its BenchmarkSOLUTION professional consulting services, and % of net sales of products sold from cultivation, processing, packaging and distribution operations conducted from this licensed facility. However, due to rapidly deteriorating national utility infrastructure in Zimbabwe resulting in lack of adequate electrical power to safely continue operations, and late payment related to client financing issues, the project was cancelled effective March 2023.
- In December 2023 TheraCann was granted a Consumer Choice award for its strawberry's cultivated in both aeroponic and fogponics in a consumer blind test based on color, taste, shape, aroma and texture was granted to TheraCann in December 2023. The test was organized, resulted tabulated, and report by [UDELAS University](#), the University of UNAG HONDURAS, and monitored by IDIAP. The test involved over 120 randomly selected individuals. The competitor products included the main locally grown strawberry

producer, and the main imported strawberry producer. Based on the results of the consumer blind test, both TheraCann's Sprout AI grown aeroponic and fogponic strawberry's were selected as over 80% of the time for their color, taste, shape, aroma and texture, making our products the #1 Consumer Choice.

- In September 2023 TheraCann received letter from [Purdue University](#), and the [Purdue Research Foundation \("PRF"\)](#) providing TheraCann with "In-Kind Services", and other Incentives to create both a "We Own" Discovery Centre (DC) Facility located in Lafayette, Indiana, as well as a "We Own" Commercial Production Centre (CPC) in downtown Indianapolis. Purdue University, is a top research and educational institution, the PRF is a 501 (c)(3) tax exempt organization that supports Purdue University's land-grant mission to improve the world through its technologies and graduates. PRF moves ideas to the marketplace, patents and commercializes technologies, protects Purdue's intellectual property, and provides connections and placemaking opportunities for industry. In July 2023 Sprout AI completed its full migration from aeroponic to fogponic, and with the assistance of the Instituto de Innovación Agropecuaria de Panamá (IDIAP), IDIAP will publish as an independent 3<sup>rd</sup> party peer review, the efficacy of the Sprout AI system versus traditional farming, indoor hydroponic, and indoor aeroponic technologies as part of a side by side comparison of cycle time, yield, and critical inputs relating to water, nutrients and labour. Sprout AI also completed the assembly of 75 controller units for implementation of 75 Sprout AI habitats to be used within its existing COE, or future Client location. TheraCann plans to install a Discovery Centre (DC) for the purpose of providing Purdue University with a practicum, and mentorship, program for students, as well as for joint research collaboration including but not limited to root science, and promotion of engineering of agricultural vertical indoor technologies. Installation of the DC to commence in 2025 for reception of "Intern" students in 2026. Installation of CPC to commence and complete in 2026
- In August 2023 OS2 software completed the release of version 7.0 that includes a new and modern guided user interface (GUI) that is device independent, additional internet of things (IoT) security, additional Sprout AI controller module functionality, ETCH biotrace controller and 3<sup>rd</sup> party module integration, and database optimization. OS2 software has been shown to be "in compliance" with the regulatory requirements of those countries for which TheraCann plans to place a FaaS facility. Compliance is in relation to record keeping, quality assurance, inventory management, employee training and employee facility daily activity tracking, order processing, packaging, and distribution, cultivation and production good management practice processes including recall event, product quality assurance including analytical laboratory reports, and mandatory reporting.
- In July 2023 ETCH biotrace recently completed its operational version of its nutrient plant tracking technology. ETCH biotrace is now in process of testing its efficacy with a number of different crops for future 3<sup>rd</sup> party peer reviewed publication.

#### SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information for TheraCann for the periods indicated and should be considered in conjunction with the more complete information contained in the financial statements of TheraCann attached as Schedule ["F"] to this Circular.

|                      | As at March 31,<br>2024<br>(reviewed)<br>(in PAB<br>Panamanian<br>Balboa) | As at December 31,<br>2023<br>(audited)<br>(in PAB Panamanian<br>Balboa) | As at December<br>31, 2022 (audited)<br>(in PAB<br>Panamanian<br>Balboa) |
|----------------------|---|--|--|
| Total current assets | 506,754 PAB   | 298,714 PAB  | 286,326 PAB  |

|                                     | As at March 31,<br>2024<br>(reviewed)<br>(in PAB<br>Panamanian<br>Balboa) | As at December 31,<br>2023<br>(audited)<br>(in PAB Panamanian<br>Balboa) | As at December<br>31, 2022 (audited)<br>(in PAB<br>Panamanian<br>Balboa) |
|-------------------------------------|---|--|--|
| Total investments                   | 0 PAB   | 0 PAB  | 0 PAB  |
| Total assets                        | 2,517,259 PAB   | 2,344,183 PAB  | 2,865,938 PAB  |
| Total current liabilities           | 15,940,010 PAB  | 15,565,729 PAB   | 14,835,382 PAB   |
| Deferred revenues                   | 772,315 PAB   | 772,315 PAB  | 885,015 PAB  |
| Total liabilities                   | 16,539,303 PAB  | 16,164,948 PAB   | 15,361,883 PAB   |
| Retained earnings                   | (14,099,358) PAB  | (13,900,154) PAB   | (11,363,159) PAB   |
|                                     |   |  |  |
|                                     | As at March 31,<br>2024<br>(reviewed)<br>(in PAB<br>Panamanian<br>Balboa) | As at December 31,<br>2023<br>(audited)<br>(in PAB Panamanian<br>Balboa) | As at December<br>31, 2022 (audited)<br>(in PAB<br>Panamanian<br>Balboa) |
| Revenue                             | 79 PAB  | 162,426 PAB  | 2,067,723 PAB  |
| General and administrative expenses | 305,418 PAB   | 1,482,286 PAB  | 1,650,094 PAB  |
| Interest expense                    | 13,024 PAB  | 504,746 PAB  | 1,559,384 PAB  |
| Net income (loss) before taxes      | (380,737) PAB   | (3,086,658) PAB  | (2,945,282) PAB  |
| Net income (loss) per share         | (0.04) PAB  | (0.29) PAB   | (0.31) PAB   |

## Notes:

- (1) Convertible Dentures totalling 13,032,133 are included within the Total Liabilities of 16,539,303 PAB. Removing Convertible Debentures from this total reduces Total Liabilities to 3,507,170 PAB.

**DIVIDENDS OR DISTRIBUTIONS**

As of the date hereof, TheraCann has not paid any dividends on its outstanding TheraCann Shares. The future payment of dividends will be dependent upon the financial requirements of TheraCann to fund further growth, the financial condition of TheraCann and other factors which TheraCann's Board may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future, if at all.

## DESCRIPTION OF SECURITIES

### *TheraCann Shares*

TheraCann is authorized to issue an unlimited number of TheraCann Shares without par value. As of the date hereof, there are 11,631,431 TheraCann Shares issued and outstanding as fully paid and non-assessable shares. The holders of the TheraCann Shares are entitled to one vote per share at all meetings of the shareholders of TheraCann. The holders of TheraCann Shares are also entitled to dividends, if and when declared by the directors of TheraCann and the distribution of the residual assets of TheraCann in the event of a liquidation, dissolution or winding up of TheraCann.

### *TheraCann Debentures*

TheraCann completed the Debenture Offering which closed in five (5) tranches between March 29, 2018 and August 30, 2019 for an aggregate of CAD\$6,644,000. The Debenture Offering consisted of convertible debenture units, with each TheraCann Debenture having a purchase price of CAD\$10,000 and consisting of \$10,000 principal amount and 2,000 TheraCann Warrants. The Maturity Date of the TheraCann Debentures is two years and they bear interest at a rate of 8% per annum. Interest is not paid, and instead accrues and is payable upon maturity or conversion of the TheraCann Debentures. Prior to the Maturity Date, the TheraCann Debentures were convertible at the option of the holder into TheraCann Shares at a conversion price of CAD\$7.50 per TheraCann Share, subject to certain adjustments in the event of Liquidity Event. All of the TheraCann Debentures have reached their maturity. However, as disclosed under heading "*Description of the Business - Financing Activities – TheraCann Debenture Offerings – Development of the Business*," in accordance with certain Security Confirmation & Amendment Agreements, the TheraCann Debentures are subject to the TheraCann Debenture Amendments pursuant to which:

- the Maturity Date of such TheraCann Debentures will be extended to August 31, 2024;
- the TheraCann Debentures will be convertible at the option of the holder into TheraCann Shares at any time prior to (i) the completion of a Liquidity Event (as defined below); and (ii) the Maturity Date;
- the conversion price will be reduced to CAD\$5.25; and
- in the event that TheraCann completes a Liquidity Event (as defined below) prior to the applicable Maturity Date, the TheraCann Debentures and all accrued and unpaid interest will automatically convert into TheraCann Shares at a price of CAD\$5.25.

In consideration for the TheraCann Debenture Amendments, the Company has agreed to issue additional TheraCann Warrants, as described under the heading "*Description of the Business - Financing Activities – Warrant Issuances, Extensions and Amendments*." Only debentureholders who sign a Security Confirmation & Amendment Agreement will be subject to the TheraCann Debenture Amendments and will receive the additional TheraCann Warrants. If TheraCann does not receive an executed Security Confirmation & Amendment Agreement from any debentureholder, such holder's TheraCann Debentures will not be amended in accordance with the TheraCann Debenture Amendments and the original terms of their TheraCann Debentures will continue to be in force.

See disclosure under heading "*Financing Activities – TheraCann Debenture Offerings – Development of the Business*" for further information on the TheraCann Debentures and TheraCann Warrants.

### *TheraCann Employee Debentures*

TheraCann effected a separate offering of TheraCann Employee Debentures to its employees and advisors in February 2019 in the aggregate amount of \$459,000. The Maturity Date of the TheraCann Employee Debentures is two years and they bear no interest. Prior to the Maturity Date, the TheraCann Employee Debentures were convertible at the option of the holder into TheraCann Shares at a conversion price of CAD\$5.00 per TheraCann Share, subject to certain adjustments in the event of Liquidity Event. The TheraCann

Employee Debentures have reached their maturity. Had TheraCann completed a Liquidity Event prior to the Maturity Date, the TheraCann Employee Debentures would automatically convert into TheraCann Shares at the Employee Liquidity Conversion Price. As of the date hereof, all TheraCann Employee Debentures have reached their maturity. However, as disclosed under heading "*Description of the Business - Financing Activities – TheraCann Debenture Offerings – Development of the Business*," in accordance with certain Security Confirmation & Amendment Agreements, the TheraCann Employee Debentures are subject to the TheraCann Debenture Amendments pursuant to which:

- the Maturity Date of such TheraCann Employee Debentures will be extended to August 31, 2024; and
- the TheraCann Employee Debentures will be convertible at the option of the holder into TheraCann Shares at any time prior to (i) the completion of a Liquidity Event (as defined below); and (ii) the Maturity Date at the Employee Liquidity Conversion Price.

#### *TheraCann Warrants*

As disclosed above, TheraCann issued TheraCann Warrants to the subscribers to the offering. A total of 1,194,800 TheraCann Warrants were issued. Each TheraCann Warrant has an exercise price equal to CAD\$7.50 per TheraCann Share. In the event a TheraCann Warrant has not been exercised prior to a Liquidity Event, such TheraCann warrant will be exercisable at a price equal to the Liquidity Conversion Price. The TheraCann warrants expire at the earlier of: (i) one year from the Liquidity Event; or (ii) two years from the date of issuance.

As disclosed under heading "*Description of the Business - Financing Activities – TheraCann Debenture Offerings – Development of the Business*" as consideration for extension of the expiry date of the TheraCann Warrants, TheraCann issued 2,500 additional TheraCann Warrants to the TheraCann warrant holders who signed amendment agreements in connection therewith. In connection therewith, TheraCann issued an aggregate of 292,500 TheraCann Warrants each exercisable at a price of a 30% discount to Liquidity Event Price until August 31, 2024. As a result and as of the date hereof there are a total of 631,500 TheraCann Warrants outstanding as follows: (i) there are an aggregate of 292,500 TheraCann Warrants outstanding, each exercisable at a price of a 30% discount to Liquidity Event Price until August 31, 2024 held by the July 31 Warrant holders; (ii) there are an aggregate of 339,000 TheraCann Warrants held by the 18 Month Warrant holders, each exercisable at a price of a 20% discount to Liquidity Event Price at any time after a Liquidity Event until the date that is 18 months from a Liquidity Event; and (iii) the balance of the TheraCann Warrants held by the Expired Warrant holders have expired.

In accordance with the Security Confirmation & Amendment Agreements, TheraCann proposes to implement the following TheraCann Warrant Issuances and Amendments:

- TheraCann will issue additional TheraCann Warrants to the July 31 Warrant holders, the 18 Month Warrant holders and the Expired Warrant holders, with each TheraCann Warrant exercisable at a price of \$1.32 any time after a Liquidity Event until the date that is 18 months from a Liquidity Event;
- the exercise price of the TheraCann Warrants held by the 18 Month Warrant holders will be reduced to \$1.32; and
- the exercise price of the TheraCann Warrants held by the July 31 Warrant holders will be reduced to \$1.32 and the expiry date of such TheraCann Warrants will be amended such that they will be exercisable at any time after a Liquidity Event until the date that is 18 months from a Liquidity Event,

Only Warrant holders who sign a Security Confirmation & Amendment Agreement will be subject to the TheraCann Warrant Issuances and Amendments, as applicable, and will receive the additional TheraCann Warrants.

## **CONSOLIDATED CAPITALIZATION**

The following tables sets out the consolidated capitalization of TheraCann as at TheraCann's most recent year end, being December 31, 2023 and as at the date hereof.

| Description                                  | Condition      | December 31, 2022 | December 31, 2023 |
|--|----------------|-------------------|-------------------|
| TheraCann Shares                             | Unlimited      | 10,000,000        | 11,631,431        |
| TheraCann Debentures <sup>(1)</sup>          | Not applicable | CAD\$6,644,000    | CAD\$6,644,000    |
| TheraCann Employee Debentures <sup>(2)</sup> | Not applicable | CAD\$459,300      | CAD\$459,300      |
| TheraCann Warrants <sup>(3)</sup>            | Not applicable | CAD\$631,500      | CAD\$631,500      |

**Notes:**

- (1) The TheraCann Debentures are unsecured, bear interest at the rate of 8% per annum and are convertible into TheraCann Shares. The terms of the TheraCann Debentures are described above under the heading "*Description of Securities – TheraCann Debentures*". Additionally, the TheraCann Debentures are subject to the TheraCann Debenture Amendments as described above under "*Description of Securities – TheraCann Debentures*".
- (2) The TheraCann Employee Debentures are unsecured, do not bear interest and are convertible into TheraCann Shares. The terms of the TheraCann Employee Debentures are described above under the heading "*Description of Securities – TheraCann Employee Debentures*". Additionally, TheraCann Employee Debentures are subject to the TheraCann Debenture Amendments as described above under "*Description of Securities – TheraCann Employee Debentures*".
- (3) The TheraCann Warrants were issued as part of the Convertible Debenture Units issued under the TheraCann Debenture Offering. The TheraCann Warrants have a two year term from issue date, and are exercisable as described above under "*Description of Securities – TheraCann Warrants*". Additionally, the TheraCann Warrants are subject to the TheraCann Warrants Amendments as described above under "*Description of Securities – TheraCann Warrants*".

**PRIOR SALES**

The following table sets out the number of securities of TheraCann which have been issued in the 12-month period prior to the date hereof:

| Date              | Number or Amount         | Type of Securities | Issue/Exercise Price |
|-------------------|--------------------------|--------------------|----------------------|
| Feb. - Dec, 2023  | 285,714 <sup>(1)</sup>   | TheraCann Shares   | US\$3.50             |
| Jan. - July, 2024 | 1,345,717 <sup>(1)</sup> | TheraCann Shares   | US\$3.50             |

**Notes**

- (1) Issued in connection with a non-brokered private placement. See disclosure under the heading "Description of the Business – Financing Activities – Private Placement" for more information.



## **EXECUTIVE COMPENSATION**

At no time prior to the date of this Information Circular was TheraCann a reporting issuer under applicable Canadian securities laws. Notwithstanding this, the following disclosure of executive compensation is made in accordance with the requirements of NI 51-102 for the named executive officers ("NEOs") of TheraCann for fees earned for the year ended December 31, 2022. The following disclosure reflects all compensation paid to the NEOs of TheraCann for the period referenced, in respect of services provided to TheraCann on a consolidated basis.

### ***Compensation Discussion and Analysis***

The TheraCann board of directors is responsible for setting the overall compensation strategy of TheraCann and administering TheraCann's executive compensation program with input from the Chief Executive Officer of TheraCann in respect of all executive officers other than the Chief Executive Officer. As part of its mandate, the TheraCann board of directors approves the remuneration of TheraCann's executive officers, including the Named Executive Officers of TheraCann. The NEOs of TheraCann for the year ended December 31, 2023, are the Chief Executive Officer, the Chief Financial Officer, and the Chief Operating Officer. The TheraCann board of directors is also responsible for reviewing TheraCann's compensation policies and guidelines generally.

The objective of TheraCann's executive compensation program is to motivate, reward, and retain management talent that is needed to achieve TheraCann's business objectives. The compensation program is designed to ensure that compensation is competitive with other companies of similar size and is commensurate with the experience, performance, and contribution of the individuals involved and the overall performance of TheraCann. In evaluating performance, consideration is given to TheraCann's long-term interests and quantitative financial objectives, as well to the qualitative aspects of the individual's performance and achievements. Compensation for directors of TheraCann, if any, is also determined by the TheraCann board of directors on an annual basis.

### ***Risks of Compensation Policies and Practices***

TheraCann's compensation program is designed to provide executive officers incentives for the achievement of near-term and long-term objectives, without motivating them to take unnecessary risk. As part of its review and discussion of executive compensation, the TheraCann board of directors noted the following facts that discourage TheraCann's executives from taking unnecessary or excessive risk:

- TheraCann's operating strategy and related compensation philosophy;
- the effective balance, in each case, between cash and equity mix, near-term and long-term focus, corporate and individual performance, and financial and non-financial performance; and
- TheraCann's approach to performance evaluation and compensation provides greater rewards to an executive officer achieving both short-term and long-term agreed upon objectives.

Based on this review, the TheraCann board of directors believes that TheraCann's total executive compensation program does not encourage executive officers to take unnecessary or excessive risk.

### ***Elements of Compensation***

The executive compensation program is comprised of three principal components: (i) base salaries; (ii) bonuses, and (iii) a stock option plan which are designed to provide a combination of cash and equity-based compensation to effectively retain and motivate the executive officers to achieve TheraCann's goals and objectives. Each component of the executive compensation program is described below.



### Base Salaries

Executive officers are paid a base salary to compensate them for providing the leadership and specific skills needed to fulfill their responsibilities. The payment of base salaries is an important component of TheraCann's compensation program and serves to attract and retain qualified individuals. The base salaries for the executive officers are reviewed annually by the TheraCann board of directors and are determined by considering the contributions made by the executive officers, how their compensation levels related to compensation packages that would be achievable by such officers from other opportunities, and publicly available salary data. Salaries of the executive officers are not determined based on benchmarks or a specific formula.

### Bonuses

The TheraCann board of directors may from time to time approve bonus payments to reward executive officers for their contribution to the achievement of annual corporate goals and objectives. Bonuses also serve as a retention incentive for executive officers so that they remain in the employ of TheraCann. The payment of bonuses is consistent with the overall objective of TheraCann to reward performance.

### Summary Compensation Table

| Name and principal position                     | Year | Salary/<br>Contract Fees<br>(\$) <sup>(2)</sup> | Share-based<br>awards (\$) | Option-<br>based<br>awards<br>(\$) <sup>(1)</sup> | Non-equity incentive plan<br>compensation (\$) |                                 | Pension<br>value (\$) | All other compen-sati<br>on<br>(\$) | Total compen-sati<br>on<br>(\$) |
|---|------|---|----------------------------|---|--|---------------------------------|-----------------------|-------------------------------------|---------------------------------|
|   |      |   |                            |   | Annual<br>incentive<br>plans <sup>(3)</sup>    | Long term<br>incentive<br>plans |                       |                                     |                                 |
| Christopher John Bolton<br>CEO, and<br>Director | 2021 | \$106,331                                       | Nil                        | Nil   | Nil  | N/A                             | N/A                   | \$17,465                            | \$123,796                       |
|   | 2022 | \$64,877  | Nil                        | Nil   | Nil  | N/A                             | N/A                   | \$14,892                            | \$79,768                        |
|   | 2023 | \$32,500  | Nil                        | Nil   | Nil  | N/A                             | N/A                   | Nil                                 | \$32,500                        |
|   | 2024 | \$145,000                                       | Nil                        | Nil   | Nil  | N/A                             | N/A                   | \$10,000                            | \$155,000                       |
| Pedro Silva,<br>CFO                             | 2024 | \$135,000                                       | Nil                        | Nil   | N/A  | N/A                             | N/A                   | Nil                                 | \$135,000                       |
| Ricardo Ferrer,<br>COO                          | 2024 | \$64,800  | Nil                        | Nil   | N/A  | N/A                             | N/A                   | Nil                                 | \$64,800                        |
| Shawn Kelly,<br>CRO                             | 2024 | 3.5%<br>commission                              | Nil                        | Nil   | N/A  | N/A                             | N/A                   | Nil                                 | 3.5%<br>commission              |

#### Notes:

- (1) TheraCann calculates the grant date fair value of the options granted to Named Executive Officers using the Black-Scholes option-pricing model. TheraCann chose this methodology because it is recognized as the most common methodology used for valuing options and doing value comparisons. No options have been granted by TheraCann to the Named Executive Officers or to any other executive officers in the three most recently completed financial years.
- (2) Unless otherwise noted, all salaries and contract fees are paid in US dollars.

- (3) For a detailed description of the annual incentive plan compensation, please refer to *Information Concerning TheraCann – Executive Compensation*.

### ***Stock Options and Other Compensation Securities Table***

No NEO or director of TheraCann has received or exercised any incentive stock options or compensation securities during the financial years ended December 31, 2023, 2022, or 2021, being TheraCann's last three financial year ends.

### ***Employment, Consulting and Management Agreements***

#### ***Christopher John Bolton, Chief Executive Officer and Director***

Mr. Bolton founded TheraCann on April 28<sup>th</sup>, 2017. To assist with TheraCann's restructuring following the 2020 slowdown of its business. Mr. Bolton's reduced his previous salary of US\$135,000 to US\$106,000 in 2021, and down again to \$64,877 in 2022, and again to \$32,500 in 2023. Mr. Bolton during this same period invested over US\$218,260 into TheraCann to assist with its restructuring. Following the amalgamation, Mr. Bolton's salary will increase to US\$145,000, and will be reviewed semi-annually by the Board of Directors compensation sub-committee. Mr. Bolton may be eligible under the terms of his employment contract for a bonus equal to 10% of his annual salary, paid quarterly, and he may also be eligible to receive additional equity-based compensation.

Mr. Bolton's employment contract provides for the payment of severance in the event of termination without cause by providing in the event of termination without cause by providing a payment under the terms of Panamanian Law.

#### ***Pedro Silva, Former Chief Financial Officer***

Mr. Silva joined TheraCann on March 1, 2024, replacing Dean Callaway, former Chief Financial Officer of Sprout AI. Following amalgamation, and under the terms of his employment agreement with Amalco, Mr. Ferrer will receive an annual base salary of USD\$135,000 in 2024. Post amalgamation Mr. Silva is eligible to receive restricted share units (RSU's), and Options, and may be eligible to receive additional compensation incentives as approved by the board of directors. Compensation will be reviewed semi-annually by the Board of Directors compensation sub-committee.

Mr. Silva's employment contract will provide for the payment of severance in the event of termination without cause by providing a payment under the terms of Panamanian Law.

#### ***Ricardo Ferrer, Chief Operating Officer***

Mr. Ferrer joined TheraCann on June 15th, 2024, replacing Carlos Zapata, former Chief Operating Officer of Sprout AI. Following amalgamation, and under the terms of his employment agreement with Amalco, Mr. Ferrer will receive an annual base salary of USD\$64,800 in 2024. Compensation will be reviewed semi-annually by the Board of Directors compensation sub-committee. Post amalgamation Mr. Ferrer is eligible to receive restricted share units (RSU's), and Options, and may be eligible to receive additional compensation incentives as approved by the board of directors. Compensation will be reviewed semi-annually by the Board of Directors compensation sub-committee.

Mr. Ferrer's employment contract will provide for the payment of severance in the event of termination without cause by providing a payment under the terms of Panamanian Law.

#### ***Shawn Kelly, Chief Revenue Officer***

Mr. Kelly joined TheraCann on June 1st, 2024. Following amalgamation, and under the terms of his employment agreement with Amalco, Mr. Kelly will receive compensation on a commission basis in 2024. Compensation will be reviewed semi-annually by the Board of Directors compensation sub-committee. Post amalgamation Mr. Kelly is eligible to receive restricted share units (RSU's), and Options, and may be eligible to receive additional compensation incentives as approved by the board of directors. Compensation will be reviewed semi-annually by the Board of Directors compensation sub-committee.

Mr. Kelly's employment contract will provide for the payment of severance in the event of termination without cause by providing a payment under the terms of Panamanian Law.

### ***Pension Benefits***

TheraCann has not provided any pension benefits to date to any TheraCann NEOs or directors.

### ***Compensation Governance***

The current objectives of TheraCann's compensation policies and practices are to attract and retain highly qualified individuals, align the interests of its directors and officers with those of shareholders and ensure all compensation paid is both in line with TheraCann's fiscal resources and competitive with companies at a similar stage of development.

The TheraCann Board has the ultimate responsibility for TheraCann's compensation policies and practices. The current TheraCann Board consists of three (3) Chris Bolton, Robert Bolton, and Calie-Anne Bolton. None are independent as determined in accordance with the provisions of NI 58-101. Upon completion of the Transaction, the existing Board of Sprout AI Inc shall remain in place. The Sprout AI Inc. Board of Directors includes Chris Bolton (Chairman), Jaikishin Aswani, Doug Connell, Kevin Delano, Brian Nolan, and Calie-Anne Bolton and Calie-Anne Bolton (Corporate Secretary). Sub-committee's will be formed with Doug Connell, Jaikishin Aswani, Kevin Delano, and Brian Nolan, who are deemed independent for the purposes of NI 58-101.

Until such time as an evaluation has been conducted as to the merits of a formal compensation program, the TheraCann Board intends to annually review the following factors when determining the applicable compensation issuable to the TheraCann NEOs and directors: nature and quantity of duties and responsibilities;

- past performance of those responsibilities;
- involvement in the success of material transactions;
- comparable compensation paid by other issuers to similar positions; and
- financial resources of TheraCann available to be allocated to compensation.

The TheraCann Board, as a whole, determines the amount and type of compensation to be paid to TheraCann's executive officers, including base salary, annual incentives, long-term incentives, and other forms of compensation. In reviewing and recommending an individual's compensation, the TheraCann Board considers the skill and level of responsibility involved in the individual's position, the individual's experience and qualifications, TheraCann's resources, industry practice and the existing stage of TheraCann's development. The TheraCann Board will annually review and determine the remuneration of directors of TheraCann.

### **Securities Authorized For Issuance Under Equity Compensation Plans**

As of the date hereof, TheraCann does not have any stock option plan, stock option agreement made outside of a stock option plan, plan providing for the grant of stock appreciation rights, deferred share units or restricted stock units and any other incentive plan outstanding.

As of the date hereof, Sprout AI does have a plan providing for the grant of stock appreciation rights, deferred share units, or restricted stock units.

| Directors and Officers           | Title            | Options Granted        | RSU's Granted        | Options | RSU    | Option \$\$ |
|----------------------------------|------------------|------------------------|----------------------|---------|--------|-------------|
| <b>Chris Bolton</b>              | CEO, Director    | 409,342                | 409,342              | 3%      | 3.0%   | Fair Market |
| <b>Pedro Silva</b>               | CFO              | 409,342                | 409,342              | 3%      | 3.0%   | Fair Market |
| <b>Ricardo Ferrer</b>            | COO              | 409,342                | 409,342              | 3%      | 3.0%   | Fair Market |
| <b>Shawn Kelly</b>               | CRO              | 409,342                | 409,342              | 3%      | 3.0%   | Fair Market |
| <b>Jaikishin Aswani</b>          | Director         | 272,894                | 272,894              | 2%      | 2%     | Fair Market |
| <b>Doug Connell</b>              | Director         | 272,894                | 272,894              | 2%      | 2%     | Fair Market |
| <b>Kevin Delano</b>              | Director         | 272,894                | 272,894              | 2%      | 2%     | Fair Market |
| <b>Brian Nolan</b>               | Director         | 272,894                | 272,894              | 2%      | 2%     | Fair Market |
| <b>Calie-Anne Bolton</b>         | Director         | 272,894                | 272,894              | 2%      | 2%     | Fair Market |
| <b>Colleen McKay</b>             | IR               | 272,894                | 272,894              | 2%      | 2%     | Fair Market |
|                                  |                  |                        |                      |         |        |             |
|                                  |                  | 3,274,733              | 3,274,733            | 24.00%  | 24.00% |             |
|                                  |                  | <b>Options Granted</b> | <b>RSU's Granted</b> |         |        |             |
| <b>General Staff / Resources</b> | Group Allocation | 1,364,472              | 2,319,603            | 10.00%  | 17.00% | Fair Market |
|                                  |                  | 4,639,205              | 5,594,336            |         |        |             |
|                                  |                  |                        | 10,233,541           | 34.00%  | 41.00% |             |

## Management Contracts

No management functions of TheraCann are, to any substantial degree, performed other than by directors or senior officers of TheraCann or its subsidiaries.

## CORPORATE GOVERNANCE

### Board of Directors

The TheraCann Board facilitates its exercise of independent supervision over TheraCann's management through meetings of the TheraCann Board and, both directly and indirectly, its committees and independent members. The TheraCann Board believes that adequate structures and processes are in place to facilitate the functioning of the TheraCann Board with a level of independence from TheraCann's management.

The TheraCann Board currently consists of three directors, three of whom are considered to be non-independent director as defined in NI 58-101. Chris Bolton, Robert Bolton and Calie-Anne Bolton are not considered to be independent directors pursuant to NI 58-101 by virtue of being the executive officers of TheraCann. Following the amalgamation, the existing Board of Directors of Sprout AI including Doug Connell, Jaikishin Aswani, Kevin Delano, and Brian Nolan who are deemed independent for the purposes of NI 58-101, and Chris Bolton who is not deemed independent for the purposes of NI 58-101, will continue as Chairman of the Board of Directors for the Amalco.

### Directorships

Other than listed below, no director of Sprout AI is presently a director of any other issuer that is a reporting issuer, or the equivalent, in a Canadian jurisdiction or a foreign jurisdiction.

### Orientation and Continuing Education

It is the intention that the Amalco Board will consider and determine an orientation process for new members of the Amalco Board and continuing education and development for incumbent members of the Amalco Board, including specific education for members of each committee, if necessary. In addition, the Amalco Board will oversee the arrangement for its members to annually participate in a continuing education event addressing current developments and best practices in corporate governance, if deemed to be appropriate and beneficial.

### ***Ethical Business Conduct***

The TheraCann Board has chosen to adopt a written Code of Conduct, which will apply to all employees, officers, directors and advisors of TheraCann and its affiliates. The purpose of such Code of Business Conduct and Ethics will be to create a culture in TheraCann and its affiliates that values high ethical standards, honesty and compliance with laws, rules and regulations. Such Code of Conduct will contain prohibitions on discrimination and harassment as well as provisions that require the directors, officers and other employees of TheraCann and its affiliates to avoid situations where their personal interests conflict, or appear to conflict, with the interests of TheraCann and/or its affiliates. This written Code of Conduct is identical to the Code of Conduct utilized by the Sprout AI Board of Directors.

### ***Nomination of Directors***

The Amalco Board as a whole is responsible for annually identifying and recommending to the Amalco Board an annual slate of nominees for membership on the Amalco Board. In recommending the annual slate of nominees, the Amalco Board identifies and screens individuals to determine potential candidates, taking into account the number of directors required to carry out the Amalco Board's duties effectively and to maintain a diversity of views and experience.

### ***Compensation***

See "*Executive Compensation - Compensation Governance*" above.

### ***Other Board Committees***

The Amalco Board will form additional sub-committees including but not limited to Amalco Audit Committee, and the Amalco Finance Committee.

### ***Assessments***

The TheraCann Board monitors the adequacy of information given to directors, communication between the TheraCann Board and management and the strategic direction and process of the TheraCann Board and TheraCann Audit Committee. During the year-end audit, both the TheraCann Board and the TheraCann Audit Committee review the information contained within the financial statements, express any opinions which they may have and make self-assessments regarding whether the information is accurate and representative of clear communications between the TheraCann Board and management of TheraCann. This practice shall be continued within the Amalco Board.

## **AUDIT COMMITTEE**

### ***Audit Committee Charter***

The text of the charter of the TheraCann Audit Committee is attached hereto as Appendix I to Schedule "C".

### ***Composition of the TheraCann Audit Committee***

The TheraCann Audit Committee is currently composed of Robert Bolton and Chris Bolton, each of whom is financially literate as determined in accordance with NI 52-110. Robert Bolton serves as the Chair of the TheraCann Audit Committee but is not deemed independent as determined in accordance with NI 52-110.

Following the amalgamation, the existing Audit Committee of Sprout AI including Doug Connell, Jaikishin Aswani, and Brian Nolan, who are deemed independent for the purposes of NI 58-101, will continue as the Audit Committee of the Resulting Issuer.

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is outlined above under "*Directors and Officers – Biographies*".

### ***Audit Committee Oversight***

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

### ***Reliance on Certain Exemptions***

At no time since the commencement of TheraCann's most recently completed financial year has TheraCann relied on the exemption in section 2.4 of NI 52-110 (*De Minimis Non-Audit Services*), section 6.1.1(4) of NI 52-110 (*Circumstances Affecting the Business or Operations of the Venture Issuer*), section 6.1.1(5) of NI 52-110 (*Events Outside Control of Member*), section 6.1.1(6) of NI 52-110 (*Death, Incapacity or Resignation*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### ***Pre-Approval Policies and Procedures***

The TheraCann Audit Committee is required to review the performance of TheraCann's external auditor and to approve in advance the provision of services other than auditing. The TheraCann Audit Committee is also required to consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by TheraCann. The Chair of the TheraCann Audit Committee is authorized to approve any non-audit services or additional work that the Chair of the TheraCann Audit Committee deems as necessary. In such a case, the Chair of the TheraCann Audit Committee is to notify the other members of the TheraCann Audit Committee of such non-audit or additional work.

### ***Reliance on Exemption in Section 6.1 of NI 52-110***

TheraCann is currently a "venture issuer", as defined in Section 1.1 of NI 52-110. Accordingly, in providing the disclosure contained herein, TheraCann is relying upon the exemption in Section 6.1 of NI 52-110 (which is available to all venture issuers) whereby TheraCann Audit Committee members are not required to be either "independent" or "financially literate".

### ***External Auditor Service Fees (By Category)***

The aggregate fees billed by TheraCann's external auditor in USD\$ in each of the last two financial years are as follows:

| Financial Year Ending | Audit Fees | Audit Related Fees | Tax Fees | All Other Fees |
|-----------------------|------------|--------------------|----------|----------------|
| 2021                  | \$79,309   | \$Nil              | \$Nil    | \$Nil          |
| 2022                  | \$137,689  | \$Nil              | \$Nil    | \$Nil          |
| 2023                  | \$119,126  | \$1,000            | \$3,500  | \$Nil          |

**Notes:**

- (1) The aggregate audit fees billed.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of TheraCann's financial statements and are not included under the heading "Audit Fees".
- (3) The aggregate fees billed for professional services rendered for tax compliance and preparation of corporate income tax returns.
- (4) The aggregate fees billed for products and services other than as set out under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees".

### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Upon the sale of Sprout AI S.A. to Sprout AI Inc., the resulting shares held by TheraCann International Benchmark Corporation (TheraCann) constituting 53% of the resulting entity, were placed in escrow with Endeavor Trust, incorporated in the Province of British Columbia. Under the terms of the British Columbia Securities Commission (BCSC), the shares have been released under timed escrow as follows: (i) 10% of the escrow securities were released on the date of the final Exchange bulletin; (ii) 15% of the escrow securities were released on a date that is six months after the final Exchange bulletin; (iii) 15% of the escrow securities were released on a date that is twelve (12) months after the final Exchange bulletin; (iv) 15% of the escrow securities were released on a date that is eighteen (18) months after the final Exchange bulletin; (v) 15% of the escrow securities will be released on a date that is twenty-four (24) months after the final Exchange bulletin; (vi) 15% of the escrow securities will be released on a date that is thirty (30) months after the final Exchange bulletin; and (vii) the remaining 15% of the escrow securities will be released on a date that is thirty-six (36) months after the final Exchange bulletin, that date being July 4, 2024. As of July 5, 2024 a total of 47,500,000 unrestricted shares have been released representing 100% of the total shares held by TheraCann in Sprout AI Inc.

The following table summarizes details of TheraCann's securities of each class held, to TheraCann's knowledge, in escrow or that will be subject to a contractual restriction on transfer upon completion of the Transaction.

| Name                             | Designation of Class | Securities held in Escrow <sup>(1)</sup> | Percentage of Class <sup>(2)</sup> |
|----------------------------------|----------------------|--|------------------------------------|
| Chris Bolton                     | Common Shares        | 5,000,000                                | 24.3%                              |
| Julie-Anne Bolton <sup>(3)</sup> | Common Shares        | 4,977,500                                | 25.6%                              |

**Notes:**

- (1) It is anticipated that the escrow agent under the escrow agreement will be Endeavor Trust Company of Canada.
- (2) Percentage is based on 90,964,806 Common Shares expected to be issued and outstanding upon completion of the Transaction and the related transactions described in this information circular.
- (3) Julie-Anne Bolton is the former spouse of Chris Bolton. Julie-Anne Bolton and Mr. Bolton separated by Divorce, whereby Julie-Anne Bolton resides in Canada, and Mr. Bolton resides in Panama. With the exception of owning shares in TheraCann, Chris Bolton and Julie-Anne Bolton do not have any other related business activity.

### DIRECTORS AND EXECUTIVE OFFICERS

| Name and City of Residence                   | Age | Position                                       | TheraCann Officer Since | Principal Occupations Held During the Last 5 Years   | Number of TheraCann shares held directly or indirectly |
|--|-----|--|-------------------------|--|--|
| Chris Bolton<br>Panama, Republic of Panama   | 60  | Chairman, Chief Executive Officer and Director | April 2017              | Mr. Bolton is the Chairman and Chief Executive Officer of TheraCann, as well as Chairman and Chief Operating Officer of Sprout AI Inc.. Prior thereto, Mr. Bolton was the CEO of Benchmark Laboratories Group Ltd. Prior thereto, Mr. Bolton Managed a North American Division of GE Capital IT Solutions, Founder of CanBaikal Resources Inc. trading on TSX, CEO of International Productivity Solutions Inc., CEO of FlashPoint Components Ltd., and FlashPoint Innovations Ltd.                              | 5,000,000  |
| Pedro Silva, Liston,<br>Portugal             | 51  | Chief Financial Officer                        | March 2024              | Mr. Silva is Chief Financial Officer of TheraCann and Sprout Ai Inc.. Prior thereto, sat as CFO for PZ Cussons, Pepsi Africa. Mr. Silva held positions as Finance Head, and Consolidation & Tax Advisor to Shree Digvijay Cement Co Ltd., and CIMPOR Group.  | N/A  |
| Ricardo Ferrer<br>Panama, Republic of Panama | 60  | Chief Operating Officer                        | June 2024               | Mr. Ferrer is Chief Operating Officer of TheraCann and Sprout Ai Inc.. Prior thereto, Ms. Ferrer held senior management positions within the Ford Motor Company, Hyundia and Mitsubishi, and General Motors.   | N/A  |
| Shawn Kelly,<br>Kingston, Canada             | 56  | Chief Revenue Officer                          | June 2024               | Mr. Kelly is Chief Revenue Officer of TheraCann and Sprout Ai Inc.. Prior thereto, Mr. Kelly provided 32 years of experience at Servier Canada Inc.  | N/A  |
| Robert Bolton<br>Ontario, Canada             | 85  | Director, Secretary                            | April 2021              | Mr. Bolton is the Director of TheraCann. Prior thereto, Mr. Bolton was the Chairman, and CEO of CanBaikail Resources Inc., publicly trading on the Toronto Stock Exchange (TSX) Prior thereto, Mr. Bolton was senior geophysicist at CGG based on France, founder of Petrel Consultants Ltd., (now Petrel Robertson), Senior Manager of Control Data Corporation (CDP), Manager of engineering computing of United Aircraft of Canada.   | N/A  |
| Calie-Anne Bolton                            | 22  | Director, Treasurer                            | April 2021              | Ms. Bolton has experience in the role of corporate secretary for companies both in Canada, and in Panama, since 2017. Ms. Bolton also sits on the Board of Directors for TheraCann International, TheraCann International Benchmark Corp, TheraCann Canada Inc., One System One Solution S.A., ETCH Biotrace S.A., and Sprout AI S.A., as well as other companies unrelated to either TheraCann International or Sprout AI. Ms. Bolton is currently completing her degree in Bachelor of Business Administration | N/A  |

### Biographies



The following is a brief biography of each individual who comprises TheraCann's Board of Directors and its executive officers:

### *Executives*

#### **Chris Bolton (Chief Executive Officer)**

Chris Bolton has more than 30 years of global experience in agricultural science and laboratory operations, manufacturing, quality control, software development, crop regulatory quality assurance and compliance, business development and consulting. He is a senior executive with a proven reputation for creating a corporate vision to maximize multi-stakeholder input and the knowledge and passion to implement on that vision, and with proven experience in planning, designing, implementing and managing complex technologies while developing an international business operation.

Mr. Bolton holds both a Bachelor of Laws (LL.B) and a Honours in Philosophy of Science (B.A.(Hons.)) from the University of Calgary. Mr. Bolton is the Chairman and Chief Executive Officer of TheraCann, as well as Chairman and Chief Operating Officer of Sprout AI Inc.. Prior thereto, Mr. Bolton was the CEO of Benchmark Laboratories Group Ltd. Prior thereto, Mr. Bolton Managed a North American Division of GE Capital IT Solutions, Founder of CanBaikal Resources Inc. trading on TSX, CEO of International Productivity Solutions Inc., Chief Executive Officer of FlashPoint Components Ltd., and FlashPoint Innovations Ltd..

Mr. Bolton will devote 100% of his time to the resulting amalgamated entity formed from TheraCann and Sprout.

#### **Pedro Silva (Chief Financial Officer)**

Pedro Silva has 25 global years experience as financial operations officer, controller, director or CFO of multinational companies. Mr. Silva is trained and experienced in IFRS, and S1, and S2 environmental accounting standards.

Mr. Silva holds both a Master's Degree, Economics, and a Postgraduate Financial Markets, IFRS and Taxation. Mr. Silva is a Chartered Accountant. Mr. Silva is the Chief Financial Officer of TheraCann, as well as Chief Financial Officer of Sprout AI Inc.. Prior thereto, Mr. Silva was the CFO of a variety of international companies including but not limited to PZ Cussons, Pepsi Africa. Mr. Silva also held positions as Finance Head, and Consolidation & Tax Advisor to Shree Digvijay Cement Co Ltd., and CIMPOR Group.

Mr. Silva will devote 100% of his time to the resulting amalgamated entity formed from TheraCann and Sprout.

#### **Ricardo Ferrer (Chief Operating Officer)**

Ricardo Ferrer has 25 years international experience managing complex industrial manufacturing & operations, managing production through to maintenance, skilled at organizing and optimizing multi-natural workforce.

Mr. Ferrer holds both a Bachelor of Science (BS) Mechanical Engineering (Summa cum laude) Degree, and an Executive MBA, Manage degree. Mr. Ferrer's experience and expertise ranges from new product development, supply chain creation, product marketing and sales. Notably, Mr. Ferrer held senior management positions within the Ford Motor Company, Hyundai and Mitsubishi, and General Motors.

Mr. Ferrer will devote 100% of his time to the resulting amalgamated entity formed from TheraCann and Sprout.

**Shawn Kelly (Chief Revenue Officer)**

Shawn Kelly has 32 years experience as an accomplished veteran sales person with expertise in complex medical and healthcare solutions and product sales, support, and vertical channel development.

Mr. Kelly holds a BSc. (Adv.), Biology & Environmental Science Degree. Mr. Kelly's demonstrated 32 years of experience at Servier Canada Inc. leading their national sales, and North American sales support team selling complex, and highly regulated cardiovascular, internal medicine, nephrology, and family medicine products, has well prepared him for the sale of pure produce products.

Mr. Kelly will devote 100% of his time to the resulting amalgamated entity formed from TheraCann and Sprout.

*Board of Directors*

**Robert Bolton, Director**

Robert Bolton, a senior international computer specialist, has over 50 years international experience in founding, operating, and raising capital for innovative technology and services companies. Mr. Bolton has worked within highly disruptive technical companies to open new markets within LATAM, Asia, Eastern Europe, and Oceania for the purpose of taking those entities public, or advancing them to point of purchase by larger entities. Mr. Bolton founded, and took CanBaikal Resources Inc public on the TSX in 1997 as CEO and Chairman before selling the company.

**Calie-Anne Bolton, Director**

Calie-Anne Bolton, has 7 years experience in opening new markets for high technology including new marketing within North America, the EU, LATAM, and Oceania. This includes sourcing new vendors, clients, and obtaining approval from local regulators.

***Cease Trade Orders, Bankruptcies, Penalties or Sanctions***

For the purposes of this section, "Order" means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

To the best of the knowledge of TheraCann, with the exception of Christopher J. Bolton as chief executive officer and director, no other director or executive officer of TheraCann is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or chief executive officer or chief financial officer of any company (including TheraCann) that:

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer.

From April 2022 through December 2022, Sprout AI Inc., for whom Christopher J. Bolton as CEO and Director, Dean Callaway as CFO, were subject to a cease to trade order of Sprout AI Inc (BYFM) on the CSE due to late filing of quarterly statements of Sprout AI Inc.. Missed filing date was based on incorrect filing dates provided to the management team at time of public listing.

To the best of the knowledge of TheraCann, no director or executive officer of TheraCann or a shareholder holding a sufficient number of securities of TheraCann to affect materially the control of TheraCann: is, as at the date of this Circular, or has been within ten years before the date of this Circular,

- (a) a director or executive officer of any company (including TheraCann) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the best of the knowledge of TheraCann, no director or executive officer of TheraCann or a shareholder holding a sufficient number of securities of TheraCann to affect materially the control of TheraCann has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body which would likely be considered important to a reasonable investor in making an investment decision.

### ***Conflicts of Interest***

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

Other than disclosed herein, there are no known existing or potential conflicts of interest among TheraCann, its directors and officers or other members of management of TheraCann as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to TheraCann and their duties as a director or officer of such other companies. See "*Risk Factors*".

### **PROMOTERS**

Chris Bolton is a promoter of TheraCann within the meaning of relevant Canadian securities legislation, as he took the initiative in founding and organizing the business of TheraCann. As of the date hereof, Mr. Bolton beneficially

owns or exercises control or direction over 5,000,000 TheraCann Shares, comprising over 43% of the issued and outstanding TheraCann Shares as of the date hereof. Neither Mr. Silva, Mr. Ferrer, or Shawn Kelly, own any securities of TheraCann.

### LEGAL PROCEEDINGS AND REGULATORY MATTERS

On April 30, 2024, the Ministry of Labor and Labor Development of the Republic of Panama dismissed, in its entirety, an administrative labor claim totaling USD \$152,353.60 against TheraCann and its related subsidiaries. This claim, filed by former staff regarding 2020 labor disputes, was ruled in favor of TheraCann International and its subsidiaries, and this decision is considered final.

On October 31, 2023, TheraCann filed a defense and counterclaim against K2 and related third parties, seeking damages in excess of CDN \$140 million. This was in response to a civil action in Alberta brought by K2 Principal Fund L.P. (hereinafter "K2"), which alleged that TheraCann owed CDN \$2,843,792 on two debenture agreements issued in 2018 and 2019, including interest. TheraCann's defense claims that the debenture format used was never sanctioned by its Board of Directors, that the calculation is erroneous, and that any claim for payment is defended on the legal principle of "unclean hands." TheraCann further alleges that K2 used the debentures to engage in a scheme to defraud TIBC and its subsidiary Sprout AI S.A. ("Sprout"). TheraCann is now amending its counterclaim to include another plaintiff corporation with similar claims against K2 and related third parties.

In March 2023, TheraCann commenced a civil action against Boardroom Appointments (Pty) Ltd. of South Africa on allegations of overbilling amounting to USD \$66,485.86, plus interest on this amount at a rate of 8.25%, and the cost of the suit. In late 2024, after delays in the defense process, Boardroom Appointments filed a counterclaim for USD \$49,580.25, plus interest at the rate of 8.25%, and the cost of the suit. This counterclaim has yet to be approved by the Court. TheraCann has filed a motion to dismiss Boardroom's counterclaim application and to request judgment on the basis that Boardroom has not provided evidence in support of any defense to TheraCann's claim.

To the knowledge of the management of TheraCann, there are no other actual or contemplated material legal proceedings to which TheraCann is a party.

TheraCann is not subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has TheraCann entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to TheraCann's securities or would be likely to be considered important to a reasonable investor making an investment decision. See *"Risk Factors"*.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

To the knowledge of the directors and senior officers of TheraCann, the following persons beneficially own, directly or indirectly, or exercises control or direction over, TheraCann Shares carrying more than 10% of the voting rights attached to all outstanding Shares:

| Name and Residence of Shareholder | Type of Ownership | Number and Percentage of TheraCann shares owned |
|-----------------------------------|-------------------|---|
| Chris Bolton                      | Direct            | 5,000,000 (43.0%)                               |
| Julie-Anne Bolton                 | Direct            | 4,864,167 (42.8%)                               |

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed in this Circular and within TheraCann's financial statements, no director or executive officer of TheraCann and, to the knowledge of the directors and executive officers of TheraCann, none of their respective Associates or Affiliates, nor any person who beneficially owns or exercises control or direction, directly or indirectly, over more than 10% of TheraCann's outstanding TheraCann Shares, nor their respective Associates or Affiliates, has had any material interest, direct or indirect, in any transaction within TheraCann's three most recently completed financial years or in any proposed transaction which has materially affected or is reasonably expected to materially affect TheraCann or any of its subsidiaries on a consolidated basis.

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

None of TheraCann's directors, executive officers or employees, or former directors, executive officers or employees, nor any associate of such individuals, is as at the date hereof, or has been, during the financial year ended December 31, 2023, indebted to TheraCann or any of the Subsidiaries of TheraCann in connection with purchase of securities or otherwise. In addition, no indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding of TheraCann or any of the subsidiaries of TheraCann.

As of July 5, 2024, TheraCann owes Chris Bolton, Director and CEO, USD\$218,260 representing funds he has provided to TheraCann as part of its restructuring efforts.

## **INTEREST OF EXPERTS**

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this Circular or as having prepared or certified a report or valuation described or included in this Circular, holds any beneficial interest, direct or indirect, in any securities or property of TheraCann and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of TheraCann.

## **MATERIAL CONTRACTS**

Except for material contracts entered into in the ordinary course of business, set out below are the "material contracts" in respect of which TheraCann currently expects the Resulting Issuer or any of its subsidiaries to be a party:

1. TheraCann / Sprout AI Vendor Distribution Agreement

The TheraCann / Sprout AI Vendor Agreement is a non-arm's length arrangement, as TheraCann controls the majority of Sprout AI public stock, and as Sprout AI does not have other active vendors distributing Sprout AI technologies.

## **OTHER MATERIAL FACTS**

To management's knowledge, there are no material facts about TheraCann not disclosed in this Circular that are necessary in order to provide full, true and plain disclosure of all material facts relating to TheraCann. Additional financial information is provided in TheraCann's financial statements for its most recently completed financial year which has also been included in this Circular.

## **RISK FACTORS**

Management of TheraCann defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of TheraCann. The following section describes specific and general risks that could affect TheraCann. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware. Moreover, the likelihood that a risk will occur or the nature and extent of its consequences if it does occur, is not possible to predict with certainty, and the actual effect of any risk or its consequences on the business could be materially different from those described below and elsewhere in this Information Circular.

#### *Reliance on the Client's Ability to Obtain and Maintain Licenses*

TheraCann's ability to grow and develop its business providing services and products to participants in the urban indoor vertical farm industry is dependent on either it owning and operating its own facilities, or contracts under Managed Services Agreements (MSA's) with clients whereby the Client acquires licenses under applicable crops legislation, and remain in good standing as licensees in the urban indoor vertical farm industry. Failure of TheraCann, or key clients of TheraCann, to acquire necessary licenses, or maintain or comply with the requirements of applicable licenses, could have a material adverse impact on TheraCann.

The urban indoor vertical farm industry license applications of TheraCann's clients may not be successful. Further, the urban indoor vertical farm industry licenses of TheraCann's clients may expire, may not be renewed, or may be suspended or revoked. Should any regulatory body not issue urban indoor vertical farm industry license to TheraCann's clients, or not extend or renew urban indoor vertical farm industry licenses, TheraCann could be materially adversely affected.

#### *Regulatory Risks*

The proposed activities of TheraCann will be subject to regulation by governmental authorities, for example, the Federal Department of Agriculture in Canada, or the Food and Drug Administration in the United States. TheraCann's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by applicable governmental authorities and obtaining all regulatory approvals, where necessary, for the provision of its services or the sale of its products. TheraCann cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development of markets, the provision of services and the sale of products and could have a material adverse effect on TheraCann.

#### *Environmental Regulations and Risks*

Urban indoor vertical farm industry licenses obtained by TheraCann clients may mandate, among other things, the maintenance of air and water quality standards and land reclamation. They may also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect TheraCann's urban indoor vertical farm industry clients, and as a result, such changes may adversely affect TheraCann.

#### *Compliance with Applicable Laws*

TheraCann anticipates being diligent in its attempt to comply with the legal regimes that it will be subject to in connection with its efforts to sell its services and products on a worldwide basis. However, failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial

actions. TheraCann may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the urban indoor vertical farm industry, or more stringent implementation thereof, could make it more difficult for TheraCann's clients to obtain or maintain licenses to participate in the urban indoor vertical farm industry, which could have an adverse effect on TheraCann. Further, such amendments could cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development, which could have an adverse effect on TheraCann.

#### *Laws Applying to the urban indoor vertical farm industry Are Unsettled and Still Developing*

TheraCann and its clients are subject to a variety of laws in Canada and elsewhere. In the United States, despite crops having been legalized for urban indoor cultivation in many states, not all states have yet to approve urban indoor farming. Zoning and bi-laws are still being amended, and or adopted as new regulations, in many municipalities. However, the timing and rate of those adoptions is not within the control of TheraCann.

#### *Global urban indoor vertical farm industry is New and Developing*

TheraCann is operating in the relatively new urban indoor vertical farm industry (in particular, the adult use urban indoor vertical farm industry, which is only a decade old globally), and TheraCann's success depends on its ability to attract and retain clients who are willing to become participants in the global urban indoor vertical farm industry. In addition to being subject to general business risks applicable to being a service provider and supplier to an industry involving an agricultural product and a regulated consumer product, TheraCann needs to continue to build brand awareness of the TheraCann brand in the global urban indoor vertical farm industry and make significant investments in its business strategy and production capacity. These investments include introducing new services or products into the markets in which we operate, adopting quality assurance protocols and procedures, building our international presence and undertaking regulatory compliance efforts. These activities may not promote our services and products as effectively as intended, or at all, and we expect that our competitors will undertake similar investments to compete with us for market share. Competitive conditions, consumer preferences, patient requirements (in the case of crops usage) and spending patterns in this industry and market are relatively unknown and may have unique circumstances that differ from other existing industries and markets and that cause our efforts to further our business to be unsuccessful or to have undesired consequences for us. As a result, we may not be successful in our efforts to attract and retain clients or to assist clients to obtain and maintain required licenses in the markets in which we operate, or these activities may require significantly more resources than we currently anticipate in order to be successful.

#### *Urban indoor vertical farm industry May Become Subject to Negative Consumer or Investor Perception*

TheraCann believes that the urban indoor vertical farm industry is highly dependent upon positive consumer and investor perception regarding the benefits, safety, efficacy and quality of the crops distributed to consumers. Perception of the urban indoor vertical farm industry and crops products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in Canada and in other countries relating to the consumption of crops products, including unexpected safety or efficacy concerns arising with respect to crops products or the activities of industry participants. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to urban indoor crops market or any crop product or will be consistent with earlier publicity. Adverse future scientific research reports, findings and regulatory proceedings that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for urban indoor crops products, which in turn, could affect TheraCann's ability to obtain and maintain clients wanting to participate in the global urban indoor vertical farm



industry. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of urban indoor crops, or associating the consumption of crops with illness or other negative effects or events, could adversely affect TheraCann's clients, which in turn, could affect TheraCann's ability to obtain and maintain clients wanting to participate in the global urban indoor vertical farm industry. This adverse publicity could arise even if the adverse effects associated with crops products resulted from consumers' failure to use such products legally, appropriately or as directed.

#### *Events Occurring in the urban indoor vertical farm industry May Affect TheraCann's Reputation*

Damage to TheraCann's reputation can result from the actual or perceived occurrence of any number of events, including any negative publicity, whether true or not. Competitors in the urban indoor vertical farm market are producing crops using outdated, open vertical rack hydroponic and / or aeroponic technologies that may result in crop contamination, resulting in recall events that might attract negative publicity. There is also a risk that the actions of other poorly managed indoor vertical cultivation providers that are not able to control their operational costs and subsequently go bankrupt may negatively affect the reputation of the industry as a whole and thereby negatively impact TheraCann's reputation. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share negative opinions and views in regards to TheraCann's activities and the urban indoor vertical farm industry in general, whether true or not.

TheraCann ultimately does not have direct control over how TheraCann or the urban indoor vertical farm industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to TheraCann's overall ability to advance its business strategy and realize its growth prospects.

#### *Inner City Crops May Become Oversupplied*

Urban indoor crops producers may produce more crops than is needed to satisfy the collective demand of the local domestic markets. As a result, TheraCann may have difficulty obtaining clients seeking to either purchase produce provided by TheraCann owned and operated facilities, or from new clients wishing to obtain or maintain licenses to participate in the urban indoor vertical farm industry.

#### *Constraints on Marketing*

The development of TheraCann's business of marketing services and products to the urban indoor vertical farm industry may be hindered by restrictions on sales and marketing activities imposed by governmental authorities. For instance, TheraCann wishes to market its produce as "Pure" without risk of biological and / or chemical contaminants, and that unlike organic or traditional produce, be consumed directly from Sprout AI without need for irradiation or cleaning of the product itself. If TheraCann is unable to effectively market its services and products as "Pure" and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its services and products, TheraCann could be adversely affected.

#### *Additional Financing*

The continued execution of TheraCann's growth strategy is dependent in part on the expansion of operations. There can be no assurance that the costs of such undertakings will not exceed those currently estimated by TheraCann, or that TheraCann will have sufficient resources to complete such expansions and related operations as currently proposed or at all. TheraCann may need additional financing due to future acquisitions, changes in its business plan or failure of its business plan to succeed. TheraCann's actual funding requirements could vary materially from current estimates. Given the sensitivity of capital markets worldwide, there is a risk that TheraCann may not be able to obtain additional equity or debt financing on favorable terms or at all. In



future, access to capital markets and other liquidity sources to execute TheraCann's business plan, an inability to access financing at a reasonable cost could affect its ability to grow. In addition, in instances where TheraCann issues equity, such issuance will result in the then-existing shareholders of TheraCann sustaining dilution to their relative proportion of the equity in TheraCann. If TheraCann fails to obtain any necessary financing on a timely basis, its ability to execute its current business plan may be limited, and its business could be adversely affected. As a result, TheraCann could default on its commitments to creditors or others and may have to seek a purchaser for its business or assets.

#### *Limited Operating History*

While TheraCann management have worked in the urban indoor vertical farm industry for over 10 years, TheraCann has only recently commenced operations due to the operational slowdown in 2020 due to COVID-19 force majeure events. TheraCann is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that TheraCann will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

#### *History of Losses*

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

#### *Reliance on Management and Key Personnel*

TheraCann depends on key personnel to operate its business, and if TheraCann is unable to retain, attract and integrate qualified personnel, its ability to develop and successfully grow the business could be harmed. TheraCann's success depends largely upon the continued services of its executive officers and other key employees who have specialized knowledge regarding the industry in which TheraCann operates. If TheraCann loses the services of one or more of these employees, or fails to attract qualified replacement personnel, it could harm TheraCann's business and future prospects. In addition, from time to time, there may be changes in the executive management team resulting from the hiring or departure of executives, which could disrupt business. TheraCann's success is also highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified personnel who have specialized knowledge regarding the industry in which TheraCann operates.

Competition for highly skilled management, marketing, sales, software developers, product designers and developers and other employees is high in the industry in which TheraCann operates, and TheraCann may not be successful in attracting and retaining such personnel. Failure to attract and retain qualified executive officers and other key employees could have a material adverse effect on TheraCann.

#### *Competition*

There is potential that TheraCann will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than TheraCann. Increased competition by larger and better financed competitors could materially and adversely affect TheraCann.

Because of the early stage of the urban indoor vertical farm industry in which TheraCann will operate (and in particular, the urban indoor vertical farm industry), TheraCann expects to face additional competition from new entrants. To become and remain competitive, TheraCann will require research and development, marketing,

sales and support. TheraCann may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect TheraCann.

#### *Risks Inherent in an Agricultural Business*

The business of clients of TheraCann in the urban indoor vertical farm industry will likely involve the growing, distribution and tracking of crops, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although all such growth is completed in specialized facilities under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production. An adverse effect on TheraCann's clients could result in an adverse effect on TheraCann.

#### *Insurance and Uninsured Risks*

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

Although TheraCann anticipates maintaining insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. TheraCann may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of TheraCann is not generally available on acceptable terms. TheraCann might also become subject to liability for pollution or other hazards which may not be insured against or which TheraCann may elect not to insure against because of premium costs or other reasons. Losses from these events may cause TheraCann to incur significant costs that could have a material adverse effect upon TheraCann.

#### *TheraCann is an Entrant Engaging in a New Industry*

The global urban indoor vertical farm industry, and in particular, the adult use urban indoor vertical farm industry, is still very new. There can be no assurance that an active and liquid market for shares of TheraCann will develop and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that TheraCann will be successful in the long term.

#### *Intellectual Property Risks*

TheraCann may have certain proprietary intellectual property, including but not limited to ownership or license rights to brands, trademarks, trade names, patents and proprietary processes. TheraCann will rely on this intellectual property, know-how and other proprietary information, and require certain employees, consultants and suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and TheraCann may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary or licensed technology of TheraCann. Third parties may otherwise gain access to TheraCann's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on TheraCann.

In addition, other parties may claim that TheraCann's services or products, or those that TheraCann licenses or procures from others, infringe on their proprietary or patent protected rights. Such claims, whether or not meritorious, may result in the expenditure by TheraCann of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders or require the payment of damages. As well,

TheraCann may need to obtain licenses from third parties who allege that TheraCann has infringed on their lawful rights. Such licenses may not be available on terms acceptable to TheraCann, or at all. In addition, TheraCann may not be able to obtain or utilize on terms that are favorable to TheraCann, or at all, licenses or other rights with respect to intellectual property that TheraCann does not own.

#### *Risks Inherent in the Acquisition of Acquired Companies and Brands*

As part of TheraCann's overall business strategy, TheraCann may pursue select strategic acquisitions to acquire technologies, businesses, brands or assets that are complementary to its business and/or enter into strategic alliances in order to leverage its position in global crops markets. While TheraCann expects to conduct substantial due diligence in connection with such acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies or other acquisitions for which TheraCann is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect. Further, in connection with any acquisitions, TheraCann could encounter significant transaction and integration related costs, and may fail to realize all of the benefits from the acquisitions. All of these factors could cause dilution to TheraCann's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the TheraCann Shares.

Future acquisitions may expose TheraCann to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from TheraCann's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new acquisitions.

#### *Integrating Acquired Companies and Brands*

The success of the acquisition of acquired companies and brands will depend, in part, on the ability of TheraCann to realize the anticipated benefits and synergies from integrating those companies and brands into the businesses of TheraCann. TheraCann may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of acquired companies with its existing operations. If integration is not managed successfully by TheraCann's management, TheraCann may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on TheraCann. TheraCann may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of acquired companies and brands may also impose substantial demands on TheraCann's management. There is no assurance that these acquisitions will be successfully integrated in a timely manner. The challenges involved in TheraCann's integration of acquired companies and brands may include, among other things, the following: (a) the necessity of coordinating both geographically disparate and geographically overlapping organizations; (b) retaining key personnel, including addressing the uncertainties of key employees regarding their future; (c) integrating acquired companies into TheraCann's accounting system and adjusting TheraCann's internal control environment to cover the operations of such acquired companies and brands; (d) integration of information technology systems and resources; (e) performance shortfalls relative to expectations as a result of the diversion of management's attention to the integration of such acquired companies or brands; and (f) unplanned costs required to integrate acquired companies and brands with TheraCann's existing business.

#### *Dividends are Discretionary*

TheraCann is not obligated to pay dividends on its shares. The payment of dividends is at the sole discretion of TheraCann's Board of Directors and as at the date hereof, TheraCann has not paid dividends and in the foreseeable future, does not anticipate paying dividends. In addition, in the future, should TheraCann obtain credit facilities to finance its operations, such credit facilities may restrict its ability to pay dividends, and thus

TheraCann's ability to pay dividends on its shares will depend on, among other things, its level of indebtedness at the time of the proposed dividend and whether it is in compliance with such facilities. Any reduction or elimination of dividends could cause the market price of the TheraCann Shares to decline and could further cause the TheraCann Shares to become less liquid, which may result in losses to shareholders.

#### *Difficulty to Forecast*

TheraCann must rely largely on its own market research to forecast sales of its services and products as detailed forecasts are not generally obtainable from other sources at this early stage of the global urban indoor vertical farm industry. A failure in the demand for its services or products to materialize as a result of competition, technological change, regulatory change or other factors could have a material adverse effect on TheraCann.

#### *Management of Growth*

As an early-stage company, TheraCann may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of TheraCann to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of TheraCann to deal with this growth may have a material adverse effect on TheraCann.

#### *Internal Controls*

Effective internal controls are necessary for TheraCann to provide reliable financial reports and to help prevent fraud. Although TheraCann will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on TheraCann under Canadian securities law, TheraCann cannot be certain that such measures will ensure that TheraCann will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm TheraCann's results of operations or cause it to fail to meet its reporting obligations. If TheraCann or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in TheraCann's consolidated financial statements and materially adversely affect the trading price of the TheraCann Shares.

TheraCann prepares its financial reports in accordance with International Financial Reporting Standards. In preparation of its financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of TheraCann. Significant accounting policies are described in more detail in TheraCann's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, TheraCann has implemented and continues to analyze its internal control systems for financial reporting. Although TheraCann believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, TheraCann cannot provide absolute assurance in this regard.

#### *Price Volatility and Liquidity*

Prior to completion of the Transaction, TheraCann will remain a privately held company. There can be no assurance that an active market for TheraCann Shares will be developed, and if developed, will be sustained. Publicly listed securities in certain industries have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global economic developments and market perceptions of the attractiveness of certain industries. There can be no assurance that continuing fluctuations in price will not occur. Those fluctuations could be based on various factors in addition to those otherwise described in this Circular, which could result in the market price of the TheraCann Shares at any given point potentially not accurately reflecting the long-term value of TheraCann. A

decline in the value of TheraCann Shares could cause investors to lose some or all of their investment and may adversely impact TheraCann's ability to attract and retain employees and raise capital. In addition, shareholders may initiate securities class action lawsuits if the market price of TheraCann Shares drops significantly, which may cause us to incur substantial costs and could divert the time and attention of TheraCann's management.

#### *Litigation*

TheraCann may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which TheraCann becomes involved be determined against TheraCann such a decision could adversely affect TheraCann's ability to continue operating and the market price for TheraCann Shares and could use significant resources. Even if TheraCann is involved in litigation and wins, litigation can redirect significant TheraCann's resources.

#### *Potential Conflicts of Interest*

Certain of the directors and officers of TheraCann also serve as directors and/or officers of other companies involved in the industries in which TheraCann operates, and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of TheraCann and its shareholders. In addition, each director is required to declare and refrain from voting on any matter in which such director may have a conflict of interest in accordance with the procedures set forth in applicable laws.

#### *Fraudulent or Illegal Activity by Employees, Contractors And Consultants*

TheraCann is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to TheraCann that violates: (a) government regulations; (b) manufacturing standards; or (c) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the TheraCann to identify and deter misconduct by its employees and other third parties, and the precautions taken by TheraCann to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the TheraCann from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against TheraCann, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the TheraCann's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the TheraCann's operations, any of which could have a material adverse effect on TheraCann.

#### *Information Technology Systems and Cyber-Attacks*

TheraCann's operations depend, in part, on how well it, and its suppliers and customers, protect networks, equipment, information technology ("IT") systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. TheraCann's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact TheraCann's reputation and results of operations. TheraCann has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the TheraCann will not incur such losses in the future. TheraCann's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security

and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, TheraCann may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

#### *Unfavourable Publicity or Consumer Perception*

Management of TheraCann believes the global urban indoor vertical farm industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the crops produced. Consumer perception of products of TheraCann's clients may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of indoor farm products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the global crops market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for products of TheraCann's clients. Any such effect on TheraCann's clients could adversely affect TheraCann.

#### *Product Recalls*

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

#### *Dependence on Corporate Culture*

TheraCann believes that a critical component of its success is its corporate culture, which TheraCann believes fosters innovation, encourages teamwork, cultivates creativity and promotes focus on execution. TheraCann has invested substantial time, energy and resources in building a highly collaborative team that works together effectively in an environment designed to promote openness, honesty, mutual respect and pursuit of common goals. As TheraCann continues to develop the infrastructure of a public company and grow, it may find it difficult to maintain these valuable aspects of its corporate culture. Any failure to preserve TheraCann's culture could negatively impact its future success, including its ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue its corporate objectives.

#### *Future Sales of TheraCann Shares by TheraCann or its Significant Shareholders*

TheraCann may issue additional TheraCann Shares in the future, which may dilute a shareholder's holdings in TheraCann. TheraCann's articles permit the issuance of an unlimited number of TheraCann Shares and shareholders will have no pre-emptive rights in connection with such further issuances. TheraCann's Board of Directors has the discretion to determine the terms of issue of further issuances of TheraCann Shares. Also,



additional TheraCann Shares may be issued by TheraCann upon the conversion of Convertible Debentures and TheraCann Employee Debentures, and the exercise of TheraCann Warrants.

Further, TheraCann is expected to initially have a significant level of ownership by its founder, Chris Bolton, and Julie Bolton. While their TheraCann Shares are expected to initially be subject to escrow restrictions imposed by Canadian securities regulators, the sale by the Bolton's of their TheraCann Shares could significantly reduce the market price of the TheraCann Shares. TheraCann cannot predict the effect, if any, that future public sales of TheraCann Shares by the Bolton's may have on the market price of the TheraCann Shares. It is noted however, that since the commencement of trading of Sprout AI Inc shares, that none of TheraCann's shares were registered for trading, and none were sold during the period of escrow release.

#### *Securities or Industry Research and Reports*

The trading market for the TheraCann Shares, once TheraCann becomes a listed issuer, could be influenced by the research and reports that industry or securities analysts publish about TheraCann. If one or more of these analysts cease coverage or fail to regularly publish reports, TheraCann could lose visibility in the financial markets, which in turn could cause the trading price or volume of the TheraCann Shares to decline. Moreover, if one or more of the analysts downgrade TheraCann or the TheraCann Shares or if TheraCann's operating results do not meet their expectations, the trading price of the TheraCann Shares could decline.

#### *Legal and Accounting Requirements*

As a publicly-listed company, TheraCann will be subject to numerous legal and accounting requirements that do not apply to private companies. The cost of compliance with many of these requirements is material. Failure to comply with these requirements can have numerous adverse consequences including, but not limited to, loss of market confidence, delisting of its securities and/or governmental or private actions against TheraCann. There can be no assurance that TheraCann will be able to comply with all of these requirements or that the cost of such compliance will not prove to be a substantial competitive disadvantage vis-à-vis privately-held and larger public competitors.

#### *Foreign Currency Risk*

TheraCann will be subject to risks and losses resulting from fluctuations in the relative value of the currencies of different countries where its customers, suppliers and operations are located. While the Resulting Issuer will attempt to be prudent in managing such foreign exchange risks, there can be no assurance that shareholders will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations.

#### *Use of Available Funds*

Although the use of available funds has generally been provided for in this Information Circular, TheraCann cannot specify with certainty the amount of available funds which will be allocated for each purpose. Accordingly, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary or prudent. It is difficult at this time to definitively project the total funds necessary to effect the planned activities of the Resulting Issuer. For these reasons, management of the Resulting Issuer will have a reasonable degree of flexibility as to how the funds are employed among the uses identified above, or for other purposes, as the need arises.

#### *Acquisitions*

The Resulting Issuer may intend to acquire additional businesses in the future. Acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse

effect on the business, results of operations and financial condition. In addition, there can be no assurance that the Resulting Issuer can complete any acquisition it pursues on favourable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the business. Furthermore, the potential funding of any such future acquisitions could require diversion of revenue or securing of debt or equity financings by the Resulting Issuer which could, in turn, result in a potentially dilutive issuance of equity securities. If a strategy of growth through acquisition is pursued, the failure of the Resulting Issuer to successfully manage this strategy could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition

#### **OTHER MATERIAL FACTS**

There are no other material facts other than as disclosed herein that are necessary to be disclosed in order for this Schedule "B" – *"Information Concerning TheraCann"* to contain full, true and plain disclosure of all material facts relating to the TheraCann Shares.

#### **FINANCIAL STATEMENT DISCLOSURE**

The following financial statements of are included in this Information Circular as Schedule "D":

- Audited financial statements for the year ended December 31, 2023, 2023 and 2021 and related management's discussion and analysis for such period; and
- Unaudited interim financial statements for the three month period ended March 31, 2024 and related management's discussion and analysis for such period.



## APPENDIX 1 - AUDIT SUBCOMMITTEE CHARTER

### **TheraCann International Benchmark Corp.** (the “Corporation”)

#### AUDIT COMMITTEE CHARTER

#### 1. MANDATE

The audit committee will assist the board of directors of the Corporation (the “Board”) in fulfilling its financial oversight responsibilities. The committee will review and consider, in consultation with the Corporation’s external auditors, the financial reporting process, the system of internal control over financial reporting and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well as the Corporation’s business, operations and risks.

#### 2. COMPOSITION

The Board will appoint, from among their membership, an audit committee after each annual meeting of the shareholders of the Corporation. The audit committee will consist of a minimum of three directors.

##### *2.1 Independence*

Subject to Sections 3.2, 3.3, 3.4, 3.5 and 3.6 of National Instrument 52-110 (Audit Committees)) (“NI 52-110”), a majority of the members of the audit committee must be “independent” (as defined in Section 1.4 of NI 52-110).

##### *2.2 Expertise of Committee Members*

Subject to Sections 3.5 and 3.8 of NI 52-110, a majority of the members of the audit committee must be “financially literate” (as defined in Section 1.6 of NI 52-110) or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise.

#### 3. MEETINGS

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Corporation’s Chief Financial Officer and external auditors in separate executive sessions.

#### 4. ROLES AND RESPONSIBILITIES

The audit committee shall fulfill the following roles and discharge the following responsibilities:

##### *4.1 External Audit*

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor’s report, or performing other audit, review or attestation services, including the resolution of

disagreements between management and the external auditors regarding financial reporting. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board that the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors;
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards; and
- (f) review and approve the Corporation's hiring policies regarding partners and employees, and former partners and employees, of the present and former external auditor of the Corporation.

#### *4.2 Internal Control*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Corporation. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Corporation; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### *4.3 Financial Reporting*

The audit committee shall review the financial statements and financial information of the Corporation prior to their release to the public. In carrying out this duty, the audit committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions;
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate;

##### *Annual Financial Statements*

- (c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered;
- (e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public;

#### *Interim Financial Statements*

- (f) review and approve the interim financial statements prior to their release to the public;
- (g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public; and

#### *Release of Financial Information*

- (h) where reasonably possible, review and approve all public disclosure containing financial information, including news releases, prior to release to the public. An audit committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and must periodically assess the adequacy of those procedures.

### **4.4** *Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Corporation or any subsidiary of the Corporation shall be subject to the prior approval of the audit committee.

#### *Delegation of Authority*

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

#### *De-Minimis Non-Audit Services*

- (b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
  - (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

*Pre-Approval Policies and Procedures*

- (c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
  - (i) the pre-approval policies and procedures are detailed as to the particular service;
  - (ii) the audit committee is informed of each non-audit service; and
  - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

*4.5 Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and the external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

*4.6 Reporting Responsibilities*

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

**5. RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE**

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

## 6. GUIDANCE – ROLES & RESPONSIBILITIES

The audit committee should consider undertaking the actions described in the following guidance, which is intended to provide the audit committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

### 6.1 *Internal Control*

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities,
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown, and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management;

### 6.2 *Financial Reporting*

#### *General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements,
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks,
- (c) understand industry best practices and the Corporation's adoption of them;

#### *Annual Financial Statements*

- (d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Corporation reports or trades its shares;
- (e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (g) consider management's handling of proposed audit adjustments identified by the external auditors;
- (h) ensure that the external auditors communicate all required matters to the committee;

### *Interim Financial Statements*

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements;
- (k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
  - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the Corporation's operations and financing practices;
  - (iii) generally accepted accounting principles have been consistently applied;
  - (iv) there are any actual or proposed changes in accounting or financial reporting practices;
  - (v) there are any significant or unusual events or transactions;
  - (vi) the Corporation's financial and operating controls are functioning effectively;
  - (vii) the Corporation has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
  - (viii) the interim financial statements contain adequate and appropriate disclosures;

### 6.3 *Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements;
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges; and

### 6.4 *Other Responsibilities*

- (a) review, with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements.

## SCHEDULE “C”

### INFORMATION CONCERNING THE RESULTING ISSUER

The following information is presented assuming completion of the Transaction, and is reflective of the projected business, financial and share capital position of the Resulting Issuer. This section only includes information respecting Sprout and TheraCann after the Transaction that is materially different from information provided earlier in this Information Circular. See the various headings under “*Schedule “B” – Information Concerning TheraCann*” for additional information regarding TheraCann. See also the pro forma consolidated financial statements attached hereto as Schedule “E”.

All capitalized terms used in this Schedule and not defined herein have the meaning ascribed to such terms in the “Glossary of Defined Terms” or elsewhere in this Information Circular. The information contained in this Schedule unless otherwise indicated, is given as of July 17, 2024, the date of this Information Circular.

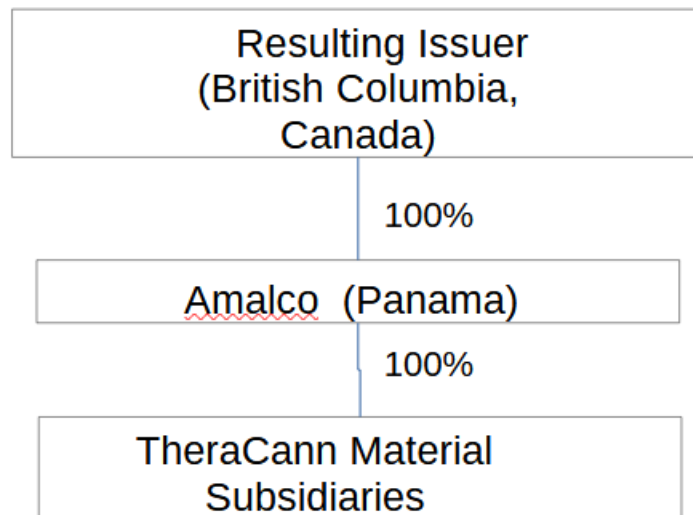
### CORPORATE STRUCTURE

#### ***Name and Incorporation***

Pursuant to the Transaction, Sprout and TheraCann will effect a three-cornered amalgamation whereby Sprout, following the Transaction, will become the Resulting Issuer. Following the Transaction, the Resulting Issuer will exist under the Law 32 Panama.

#### ***Inter-corporate Relationships***

Upon completion of the Transaction, the corporate organization chart for the Resulting Issuer will be as follows (reflected on a non-diluted basis):



## NARRATIVE DESCRIPTION OF THE BUSINESS

### ***Description of Business***

The business, milestones and business objectives of the Resulting Issuer will be those of TheraCann.

The Resulting Issuer's objective will be to develop or expand its business as a service provider to the international urban indoor vertical farm industry. The business, milestones and business objectives of the Resulting Issuer will be those of TheraCann. See "*Schedule "B" – Information Concerning TheraCann – Narrative Description of the Business*" above.

Post Amalgamation TheraCann plans to execute Funding Term Sheets in excess of \$35M to commence Projects. See "*Schedule "B" – Information Concerning TheraCann – Narrative Description of the Business*" above.

## USE OF AVAILABLE FUNDS

### ***Available Funds***

As of the most recent month end prior to the date of this Information Circular, being June 30, 2024, TheraCann had a working capital of approximately \$500,000 PAB and Sprout had working capital of approximately \$15,000 PAB. Assuming that the expenses of the Transaction are \$73,600, following the Transaction, it is expected that the Resulting Issuer will have funds available to it as set forth below as of the Effective Date:

| Source   | Funds            |
|--|------------------|
| Estimated working capital of Sprout as of June 30, 2024    | \$500,000*       |
| Estimated working capital of TheraCann as of June 30, 2024 | \$15,000         |
| Less expenses of the Transaction                           | (\$73,600)       |
| <b>Total available funds</b>                               | <b>\$441,400</b> |

**\*Note: Pre-Amalgamation TheraCann has received non-binding terms sheets for capital in excess of \$35M to be used for the purpose of expansion as described in Schedule "E" Pro-forma. However, the terms and conditions of these terms sheets require TheraCann to complete the amalgamation, and ensure resumption of trading on the Canadian Securities Exchange (CSE). Immediately following the amalgamation, TheraCann anticipates completion and execution of binding Term Sheets on or before September 30, 2024.**

### ***Principal Purposes***

It is expected that the Resulting Issuer will use the total funds available set forth above for the purposes described below

| Use of Proceeds  | Amount   |
|--|----------|
| Pre-Amalgamation Legal fees  | \$56,000 |
| Fees to print, and mail Circular and Proxy Statement, holding of Shareholder Meeting | \$8,200  |



| Use of Proceeds  | Amount          |
|--|-----------------|
| Past-Amalgamation Legal fees for Corporate Registry Updates at BC Corporate Registry (Name Change, Director updates) | \$2,400         |
| Payment of CSE Amalgamation Fees   | \$7,000         |
| Executing Post-Amalgamation Financing Term Sheets  | \$0.00          |
| <b>Total</b>   | <b>\$73,600</b> |

The Resulting Issuer intends to spend the funds available to it as stated in this Information Circular. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary. See *"Schedule "C" – Information Concerning the Resulting Issuer – Risk Factors"*.

## DESCRIPTION OF SECURITIES

### **Resulting Issuer Shares**

The authorized share capital of the Resulting Issuer will consist of an unlimited number of Resulting Issuer Shares. The holders of Resulting Issuer Shares are entitled to dividends, if, as and when declared by the Resulting Issuer board of directors, to receive notice of and attend all meetings of Resulting Issuer shareholders, to one vote per share at such meetings and, upon liquidation, to rateably receive such assets of the Resulting Issuer as are available for distribution to holders of the Resulting Issuer shares. The Resulting Issuer Shares do not have attached thereto any pre-emptive rights, conversion or exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities and any other material restrictions and provisions requiring a security holder to contribute additional capital.

### **Resulting Issuer Warrants**

As of the date hereof, Sprout has an aggregate of 10,000,000 Sprout Warrants, all of which will be cancelled at the Effective Time. Upon Closing of the Transaction, it is expected that there will be 14,005,266 Resulting Issuer Warrants outstanding resulting from the conversion of TheraCann Convertible Debentures, each exercisable at a price of \$5.25 (on a post-Consolidation basis) until the date that is 18 months from the Closing Date, subject to the completion of the TheraCann Warrant Issuances and Amendments, described in detail under the heading *"Information Concerning TheraCann – Description of the Business – Financing Activities - Warrant Issuances, Extensions and Amendments."*

See *"Information Concerning the Resulting Issuer – Pro Forma Consolidated Capitalization"*.

### **Resulting Issuer Options**

As of the date hereof, there are no Sprout Options outstanding. Upon Closing of the Transaction, the Resulting Issuer will continue to administer the Sprout Option Plan. For more information on the Sprout Option Plan, see *"Information Concerning the Resulting Issuer – Options to Purchase Securities – Stock Option Plan."*

Upon Closing of the Transaction, it is anticipated that the Resulting Issuer will have granted and outstanding 4,639,205 Resulting Issuer Options. See *"Information Concerning the Resulting Issuer – Pro Forma Consolidated Capitalization"*.

### **Resulting Issuer RSUs**

As of the date hereof, there are no Sprout RSUs outstanding. Upon Closing of the Transaction, the Resulting Issuer will continue to administer the Sprout RSU Plan. For more information on the Sprout RSU Plan. For more information on the Sprout Option Plan, see *"Information Concerning the Resulting Issuer – Options to Purchase Securities – RSU Plan."*

Upon Closing of the Transaction, it is anticipated that the Resulting Issuer will have granted and outstanding 5,594,336 Resulting Issuer RSUs. See *"Information Concerning the Resulting Issuer – Pro Forma Consolidated Capitalization"*.

## PRO FORMA CONSOLIDATED CAPITALIZATION

### ***Unaudited Pro Forma Consolidated Selected Financial Information***

The following table sets out selected unaudited pro forma consolidated financial information for the Resulting Issuer, assuming completion of the Transaction as of August 30, 2024 and for the period then ended (reflecting the pro-forma consolidation of the Companies as at such date), and should be considered in conjunction with the more complete information contained in the unaudited pro forma consolidated financial statements attached as Schedule "E" to this Information Circular.

| <b>Balance Sheet Data:</b> | <b>As of August 30, 2024<sup>(1)</sup></b> |
|----------------------------|--|
| Total Assets               | <b>\$5,166,209</b>                         |
| Total Liabilities          | <b>\$6,202,592</b>                         |
| Shareholders' Equity       | <b>\$(1,036,383)</b>                       |
| Accumulated Deficit        | <b>\$(8,892,157)</b>                       |
| Long-term Debt             | <b>\$599,293</b>                           |

**Note:**

(1) Amounts presented reflect pro forma adjustments as further detailed in Note 1,2, and 3 to the unaudited pro forma consolidated financial statements attached as Schedule "E" to this Information Circular, to which reference should be made for a complete summary of all assumptions underlying these amounts.

### ***Pro Forma Consolidated Capitalization***

The following table sets forth the pro forma consolidated capitalization of the Resulting Issuer, assuming completion of the Transaction, based upon the unaudited pro forma consolidated financial statements attached as Schedule "E" to this Information Circular.

|                                |                          | <b>Prior to Giving Effect to the Transaction</b> | <b>After Giving Effect to the Transaction</b>       |
|--------------------------------|--------------------------|--|---|
| <b>Designation of Security</b> | <b>Amount Authorized</b> | <b>Amount Outstanding<sup>(1) (2) (3)</sup></b>  | <b>Amount Outstanding<sup>(1) (2) (3) (4)</sup></b> |
| Resulting Issuer Shares        | Unlimited                | 90,964,806                                       | 90,964,806  |

|                           |   | Prior to Giving Effect to the Transaction | After Giving Effect to the Transaction        |
|---------------------------|---|---|---|
| Designation of Security   | Amount Authorized                               | Amount Outstanding <sup>(1) (2) (3)</sup> | Amount Outstanding <sup>(1) (2) (3) (4)</sup> |
| Resulting Issuer Options  | 15% of the issued and outstanding Common Shares | Nil                                       | 4,639,205                                     |
| Resulting Issuer Warrants | N/A   | 10,000,000 <sup>(5)</sup>                 | 14,005,266 <sup>(6)</sup>                     |
| Resulting Issuer RSUs     | 15% of the issued and outstanding Common Shares | Nil                                       | 5,594,336 <sup>(5)</sup>                      |

**Notes:**

- (1) Assumes completion of the Consolidation.  
(2) Assumes that none of the outstanding convertible securities of Sprout and TheraCann are exercised.  
(3) Subject to minor deviation as a result of the efforts of rounding at the individual securityholder level after giving effect to the Consolidation.  
(4) Assumes issuance of the Resulting Issuer Options and Resulting Issuer RSUs, as anticipated in the Amalgamation Agreement.  
(5) These represent Sprout Warrants currently outstanding, all of which will be cancelled as of the Effective Time.  
(6) Subject to the completion of the TheraCann Warrant Issuances and Amendments, described in detail under the heading "*Information Concerning TheraCann – Description of the Business – Financing Activities - Warrant Issuances, Extensions and Amendments.*"  
(7) Please see "*Resulting Issuer RSUs*" for more details regarding the terms of the Resulting Issuer RSUs.

**Fully Diluted Share Capital**

The following table sets out the fully diluted share capital of the Resulting Issuer after giving effect to the Transaction.

|   | After Giving Effect to the Transition   |                     |
|---|---|---------------------|
| Securities Outstanding  | Amount Outstanding <sup>(1)(2)(3)</sup> | Percentage of Class |
| <i>Post Amalgamation<sup>(4)</sup></i>                              |   |                     |
| Sprout AI Common Shares   | 27,289,715                              | 26.08%              |
| TheraCann Shareholder Shares Converted to Sprout AI Shares          | 61,600,057                              | 56.60%              |
| TheraCann Debenture Shares & Interest Converted to Sprout AI Shares | 5,932,836                               | 5.45%               |
| TheraCann Warrant Shares  | 14,005,266                              | 12.87%              |
| <b>Total</b>  | <b>108,827,874</b>                      | <b>100%</b>         |

**Notes:**

- (1) Assumes completion of the Consolidation.  
(1) Assumes that K2 Financial convertible securities are not exercised.  
(1) Subject to minor deviation as a result of the efforts of rounding at the individual securityholder level.  
(1) The 10,000,000 performance based share purchase warrants of Sprout have been cancelled as of the Effective Time.

## OPTIONS TO PURCHASE SECURITIES

### **Stock Options**

Upon completion of the Transaction, all Sprout Options will entitle the holders to acquire Resulting Issuer Shares. Set forth below is a summary of the Resulting Issuer Options which are anticipated to be outstanding immediately following the completion of the Transaction:

| Holder   | Number of Resulting Issuer Shares under option <sup>(1)</sup> | Date of grant      | Expiry date        | Exercise price <sup>(1)</sup> |
|--|---|--------------------|--------------------|-------------------------------|
| Chris Bolton, CEO  | 409,342   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| Pedro Silva, CFO   | 409,342   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| Ricardo Ferrer, COO  | 409,342   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| Shawn Kelly, CRO   | 409,342   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| Jaikishin Aswani, Director   | 272,894   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| Doug Connell, Director   | 272,894   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| Kevin McGeough, Director   | 272,894   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| Brian Nolan, Director  | 272,894   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| Jaikishin Aswani, Director   | 272,894   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| All other employees of Resulting Issuer as a group                 | 1,364,472   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| All consultants of Resulting Issuer as a group                     | N/A   | N/A                | N/A                | N/A                           |
| All investor relations persons of the Resulting Issuer, as a group | 272,894   | September 15, 2024 | September 14, 2027 | Fair Market                   |
| Other  | N/A   | N/A                | N/A                | N/A                           |
| <b>Total</b>   | 4,639,205   |                    |                    |                               |

**Notes:**

(1) Presented on a post-Consolidation basis.

### **Stock Option Plan**

As of the date hereof, there are no Sprout Options outstanding. Upon Closing of the Transaction, the Resulting Issuer will continue to administer the Sprout Option Plan.

The Sprout Option Plan provides that the board of directors may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, or any subsidiary of the Company, the option to purchase Common Shares. Sprout Option Plan provides for a floating maximum limit of 15% of the outstanding Common Shares as permitted by the policies of the CSE. As at the date hereof, this represents 13,644,721 Common Shares available for issuance under the Sprout Option Plan.

Set out below is a summary of the material terms of the Sprout Option Plan, which summary is qualified in its entirety but the full terms of the Sprout Option Plan:

- The number of Sprout AI Options, the vesting method, the vesting period and any other terms and conditions of Sprout AI Options granted pursuant to the Sprout Option Plan, from time to time, are determined by the Sprout AI Board at the time of the grant, subject to the defined parameters of the plan. The Sprout Option Plan is administered by the Sprout Board. Participation is limited to directors, officers, employees and consultants providing services to Sprout AI.
- The Option Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of Sprout, or any subsidiary of the Company, the option to purchase Common Shares.
- The maximum number of Sprout AI Shares reserved for issuance to eligible persons under the Sprout Option Plan within a 12-month period pursuant to Sprout AI Option Plan, together with any other compensation securities (such as Sprout AI RSU's), shall not exceed five per cent (5%) of the issued and outstanding Sprout AI Shares at such time. The maximum number of TheraCann Shares reserved for issuance to any consultant within a 12-month period pursuant to Sprout AI Options, together with any other compensation securities, shall not exceed two percent (2%) of the issued and outstanding Sprout AI Shares at such time.

Upon Closing of the Transaction, it is anticipated that the Resulting Issuer will have granted and outstanding 4,639,205 Resulting Issuer Options. See *"Pro Forma Consolidated Capitalization"*.

### **RSU Plan**

As of the date hereof, there are no Sprout RSUs outstanding. Upon Closing of the Transaction, the Resulting Issuer will continue to administer the Sprout RSU Plan. The purpose of the Sprout RSU Plan is to add incentive and to provide consideration for effective services of employees, officers and directors of Sprout AI, and consultants performing special technical or other services to Sprout AI.

The following is a summary of the material terms of the Sprout RSU Plan, which summary is qualified in its entirety but the full terms of the Sprout RSU Plan:

- The number of Sprout AI RSUs, the vesting method, the vesting period and any other terms and conditions of Sprout AI RSUs granted pursuant to the Sprout RSU Plan, from time to time, are determined by the Sprout AI Board at the time of the grant, subject to the defined parameters of the plan. The Sprout RSU Plan is administered by the Sprout Board. Participation is limited to directors, officers, employees and consultants providing services to Sprout AI.
- The RSU Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of Sprout, or any subsidiary of the Company, the option to purchase Common Shares. The RSU Plan provides for a floating maximum limit 15% of the outstanding Common Shares as

permitted by the policies of the CSE. As at the date hereof, this represents 13,644,721 Common Shares available for issuance under the RSU Plan.

- The maximum number of Sprout AI Shares reserved for issuance to eligible persons under the Sprout RSU Plan within a 12-month period pursuant to Sprout AI RSUs, together with any other compensation securities (such as Sprout AI Options), shall not exceed five per cent (5%) of the issued and outstanding Sprout AI Shares at such time. The maximum number of TheraCann Shares reserved for issuance to any consultant within a 12-month period pursuant to Sprout AI RSUs, together with any other compensation securities, shall not exceed two percent (2%) of the issued and outstanding Sprout AI Shares at such time.

Upon Closing of the Transaction, it is anticipated that the Resulting Issuer will have granted and outstanding 5,594,335 Resulting Issuer RSUs. See “*Pro Forma Consolidated Capitalization*”.

### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

In accordance with National Policy 46-201 – *Escrow for Initial Public Offerings (“NP 46-201”)*, all securities of an issuer owned or controlled by its principals are required to be placed in escrow at the time of the issuer’s initial distribution, unless the shares held by the principal or issuable to the principal upon conversion of convertible securities held by the principal collectively represent less than 1% of the voting rights attaching to the total issued and outstanding securities of the issuer after giving effect to the initial public offering. Upon completion of the Transaction, the Resulting Issuer anticipates being an “emerging issuer” as defined in NP 46-201.

Certain Resulting Issuer Shares will be subject to the terms of an escrow agreement to be entered into in connection with the Transaction among Sprout, Endeavor Trust Corporation, as escrow agent, and the holders of the Escrow Shares, being the security holders set out in the table under the heading “Escrow Shares” (the “**Escrow Agreement**”).

#### *Escrow Shares*

The following table sets out, as of the date hereof and to the knowledge of Sprout and TheraCann, assuming completion of the Transaction, the name and municipality of residence of the security holders whose securities will be Escrow Shares (on a non-diluted basis):

| Name and municipality of residence of security holder | Designation of class | Prior to giving effect to the Financing and Transaction |                     | After giving effect to the Financing and Transaction                  |   |
|---|----------------------|---|---------------------|---|---|
|   |                      | Number of securities held in escrow                     | Percentage of class | Number of Resulting Issuer Shares to be held in escrow <sup>(1)</sup> | Percentage of class of Resulting Issuer Shares <sup>(2)</sup> |
| Chris Bolton, City of Panama, Panama                  | Common               | 0 <sup>(3)</sup>  | 43.0%               | 23,832,000  | 24.3%   |
| Julie-Anne Bolton, of Calgary, Alberta                | Common               | 0   | 42.8%               | 23,724,754  | 24.2%   |

## Notes:

- (1) These securities shall be held in escrow by Endeavor Trust Corporation as depository pursuant to the Escrow Agreement between Endeavor Trust Corporation, the Resulting Issuer and each of the escrowed security holders (the “**Escrow Agreement**”). The securities subject to the Escrow Agreement shall be released in accordance with the schedule set out under the heading “*Terms of the Escrow for the Escrow Shares*”.
- (2) Calculated based upon an anticipated 94,822,608 Resulting Issuer Shares issued and outstanding on a non-diluted basis following completion of the Financing and Transaction.
- (3) Mr. Bolton controls the majority of shares in TheraCann. TheraCann controls 53% of Sprout AI. 100% of TheraCann’s Sprout AI shares were held in escrow for 36 months ending July 5, 2024. At no time did TheraCann trade or sell any of these during this 36 month period.

*Terms of the Escrow for the Escrow Shares*

As the Resulting Issuer anticipates being an “emerging issuer” as defined in NP 46-201, the following automatic timed releases will apply to the securities held by its principals who are subject to escrow:

| Date                             | Escrowed Shares to be Released     |
|----------------------------------|------------------------------------|
| On the Listing Date              | 1/10 of the Escrow Shares          |
| 6 months after the Listing Date  | 1/6 of the remaining Escrow Shares |
| 12 months after the Listing Date | 1/5 of the remaining Escrow Shares |
| 18 months after the Listing Date | 1/4 of the remaining Escrow Shares |
| 24 months after the Listing Date | 1/3 of the remaining Escrow Shares |
| 30 months after the Listing Date | 1/2 of the remaining Escrow Shares |
| 36 months after the Listing Date | The remaining Escrow Shares        |

Assuming there are no changes to the Escrow Shares initially deposited and no additional Escrow Shares are deposited, this will result in a 10% release on the listing date (as defined by NP 46-201), with the remaining Escrow Shares being released in 15% tranches every 6 months thereafter.

Under NP 46-201, a “principal” is: (a) a person or company who has acted as a promoter of the Resulting Issuer within two years of the date of this Information Circular; (b) a director or senior officer of the Resulting Issuer or any of its material operating subsidiaries at the time of this Information Circular; (c) a person or company that holds securities carrying more than 20% of the voting rights attached to the Resulting Issuer’s outstanding securities immediately before and immediately after the Resulting Issuer’s initial public offering; and (d) a person or company that: (i) holds securities carrying more than 10% of the voting rights attached to the Resulting Issuer’s outstanding securities immediately before and immediately after the Resulting Issuer’s initial public offering; and (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Resulting Issuer or any of its material operating subsidiaries. A company, trust, partnership or other entity more than 50% held by one or more principals will be treated as a principal and any securities of the company held by such an entity will be subject to the escrow requirements. A principal’s spouse and their relatives that live at the same address as the principal will be deemed principals and any securities of the Resulting Issuer held by such a person will be subject to the escrow requirements.

Under the terms of the Escrow Agreement, Escrow Shares cannot be transferred by the holder unless permitted under the Escrow Agreement. Notwithstanding this restriction on transfer, a holder of Escrow Shares may (a) pledge, mortgage or charge the Escrow Shares to a financial institution as collateral for a loan provided that no Escrow Securities will be delivered by the escrow agent to the financial institution; (b) exercise any voting rights attached to the Escrow Securities; (c) receive dividends or other distributions on the Escrow Securities; and (d) exercise any rights to exchange or convert the Escrow Securities in accordance with the Escrow Agreement.

The Escrow Shares may be transferred within escrow to: (a) subject to approval of the Resulting Issuer's Board, an individual who is an existing or newly appointed director or senior officer of the Resulting Issuer or of a material operating subsidiary of the Resulting Issuer; (b) a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the Resulting Issuer's outstanding securities; (c) a person or company that (i) after the proposed transfer will hold more than 10% of the voting rights attached to the Resulting Issuer's outstanding securities and (ii) has the right to elect or appoint one or more directors or senior officers of the Resulting Issuer or any of its material operating subsidiaries; (d) upon the bankruptcy of a holder of Escrow Shares, the trustee in bankruptcy or another person or company legally entitled to such securities; (e) a financial institution on the realization of Escrow Shares pledged, mortgaged or charged by the holder to the financial institution as collateral for a loan; and (f) a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF") or other similar registered plan or fund with a trustee, where the annuitant of the RRSP or RRIF, or the beneficiaries of another plan or fund are limited to the holder, the holder's spouse, children or parents, or if the holder is the trustee of such registered plan or fund, to the annuitant of the RRSP or RRIF, or a beneficiary of the other registered plan or fund or, as applicable, his or her spouse, children or parents. Upon the death of a holder of the Escrow Shares, all of the Escrow Shares of the deceased holder will be released from escrow.

In addition, tenders of Escrow Shares pursuant to a business combination, which includes a take-over bid, issuer bid, statutory arrangement, amalgamation, merger or other reorganization similar to an amalgamation or merger, are permitted. Escrow Shares subject to a business combination will continue to be escrowed if the successor entity is not an "exempt issuer", the holder is a principal of the successor entity; and the holder holds more than 1% of the voting rights of the successor entities' outstanding securities.

Under the terms of the Escrow Agreement, 10% of each escrowed shareholder's Escrow Shares (a total of approximately 5,284,084 Resulting Issuer Shares calculated based on 11,631,431 TheraCann Shares (at the Exchange Ratio) and 61,600,057 (post-Consolidation) Sprout Shares immediately prior to completion of the Transaction) will be released from escrow on the Listing Date. The remaining 56,315,973 Resulting Issuer Shares will be held in escrow immediately following the Listing Date and released pursuant to the terms of the Escrow Agreement.

### ***Resale Restrictions***

The Resulting Issuer Shares to be issued to TheraCann Shareholders in connection with the Transaction will be distributed under exemptions from the requirements to provide a prospectus under applicable Canadian securities laws. As Sprout has been a reporting issuer in a jurisdiction of Canada for more than four months, the Resulting Issuer Shares may be resold in each of the provinces and territories of Canada without significant restriction, apart from the escrow restrictions (see "**Resulting Issuer – Escrowed Securities**"), provided the holder is not a 'control person' as defined in the applicable securities legislation, no unusual effort is made to prepare the market or create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale.

U.S. Shareholders should consult their own advisors regarding resale restrictions applicable to holders of Resulting Issuer Shares who are subject to U.S. securities laws.



## PRINCIPAL SECURITY HOLDERS AND SELLING SECURITY HOLDERS

To the knowledge of the directors and the officers of Sprout and TheraCann, at the completion of the Transaction, no person will beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of voting rights attached to each class of the then outstanding Resulting Issuer Shares, except as follows:

| Principal Holder  | Number of Resulting Issuer Shares | Percentage of Resulting Issuer Shares <sup>(1)</sup> |
|-------------------|-----------------------------------|--|
| Chris Bolton      | 26,480,000                        | 24.3%  |
| Julie-Anne Bolton | 26,360,838                        | 24.2%  |

**Note:**

- (1) Calculated based upon an anticipated 90,964,806 Resulting Issuer Shares issued and outstanding on a non-diluted basis following completion of the Financing and Transaction.

## DIRECTORS AND EXECUTIVE OFFICERS

### *Directors and Executive Officers*

The following chart sets forth the name, municipality of residence, proposed position with the Resulting Issuer and principal occupation of each individual who is proposed to be a director or executive officer of the Resulting Issuer following the Transaction, and the number of Resulting Issuer Shares anticipated to be owned by each of such individuals immediately following the Transaction.

| Name and Municipality of Residence                     | Proposed position with the Resulting Issuer    | Principal Occupation During the Preceding Five Years   | Total Resulting Issuer Shares Held <sup>(1)</sup> | Percentage of Resulting Issuer Shares Held <sup>(1)</sup> |
|--|--|--|---|---|
| Chris Bolton<br><i>Panama City, Republic of Panama</i> | Chairman, Chief Executive Officer and Director | See "Particulars of Matters to be Acted Upon at the Sprout Meeting - Resulting Issuer Director Election Resolution – Nominees" | 26,480,000  | 24.3%   |
| Pedro Silva<br><i>Lisbon, Portugal</i>                 | Chief Financial Officer                        | See "Particulars of Matters to be Acted Upon at the Sprout Meeting - Resulting Issuer Director Election Resolution – Nominees" | Nil   | Nil   |
| Ricardo Ferrer<br><i>Panama, Republic of Panama</i>    | Chief Operating Officer                        | See "Particulars of Matters to be Acted Upon at the Sprout Meeting - Resulting Issuer Director Election Resolution – Nominees" | Nil   | Nil   |
| Shawn Kelly,<br>Kingston, Canada                       | Chief Revenue Officer                          | See "Particulars of Matters to be Acted Upon at the Sprout Meeting - Resulting Issuer Director Election Resolution – Nominees" | Nil   | Nil   |
| Jaikishin Aswani,<br><i>Quebec, Canada</i>             | Director                                       | See "Particulars of Matters to be Acted Upon at the Sprout Meeting - Resulting Issuer Director Election Resolution – Nominees" | Nil   | Nil   |

|                                      |                                  | <i>Election Resolution – Nominees</i>   |        |                      |
|--------------------------------------|----------------------------------|---|--------|----------------------|
| Kevin Delano<br>Toronto, Canada      | Director                         | See “ <i>Particulars of Matters to be Acted Upon at the Sprout Meeting - Resulting Issuer Director Election Resolution – Nominees</i> ” | 37,439 | 0.03% <sup>(2)</sup> |
| Brian Nolan,<br>Ontario, Canada      | Director                         | See “ <i>Particulars of Matters to be Acted Upon at the Sprout Meeting - Resulting Issuer Director Election Resolution – Nominees</i> ” | Nil    | Nil                  |
| Doug Connell<br>Ottawa, Canada       | Director                         | See “ <i>Particulars of Matters to be Acted Upon at the Sprout Meeting - Resulting Issuer Director Election Resolution – Nominees</i> ” | Nil    | Nil                  |
| Calie-Anne Bolton<br>Calgary, Canada | Director,<br>Corporate Secretary | See “ <i>Particulars of Matters to be Acted Upon at the Sprout Meeting - Resulting Issuer Director Election Resolution – Nominees</i> ” | Nil    | Nil                  |

**Note:**

- (1) Calculated based upon the securities of each of Sprout and TheraCann beneficially owned, controlled or directed by such persons as of the date of this Information Circular, after giving effect to the Transaction, as otherwise contemplated in this Information Circular. The information as to the number of securities beneficially owned, controlled or directed, not being within the knowledge of the Sprout or TheraCann, has been obtained from the persons listed individually.
- (2) Kevin Delano is not considered a “principal of an issuer” as defined by section 3.5 of National Policy 46-201 and is therefore not subject to escrow provisions.

For further information concerning these proposed directors and officers of the Resulting Issuer, including their respective five year employment histories, please see also “*Particulars of Matters to be Acted Upon at the Sprout Meeting - Resulting Issuer Director Election Resolution – Nominees.*”

**Committees of the Board of Directors**

The only anticipated committee of the Resulting Issuer Board as at the Effective Time is the Audit Committee.

The Resulting Issuer’s Audit Committee will be made up of Doug Connell, Jaikishin Aswani, Brian Nolan and Kevin Delano, all of whom are considered financially literate in accordance with National Instrument 52-110 – *Audit Committees*, and the companion policies and forms thereto, as amended from time to time. All committee members are considered independent.

For information concerning the Compensation Committee, see “*Schedule “C” – Information Concerning the Resulting Issuer – Executive Compensation – Compensation Discussion and Analysis*” below.

**Corporate Cease Trade Orders or Bankruptcies**

From April 2022 through December 2022, Sprout AI Inc., for whom Christopher J. Bolton as CEO and Director, Dean Callaway as CFO, were subject to a cease to trade order of Sprout AI Inc (BYFM) on the CSE due to late filing of quarterly statements of Sprout AI Inc.. Missed filing date was based on incorrect filing dates provided to the management team at time of public listing.

Other than stated above, no person who is proposed to serve as a director or officer of the Resulting Issuer following the completion of the Transaction, or to the knowledge of management of Sprout or TheraCann any shareholder who will be holding a sufficient number of Resulting Issuer Shares to affect materially the control of the Resulting Issuer is, or within the ten years prior to the date hereof has been, a director or officer of any other issuer that, while that person was acting in the capacity of a director or officer of that issuer, was the subject of a cease trade order or similar order or an order that denied that issuer access to any statutory exemptions for a period of more than 30 consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that issuer or appointed to hold the assets of that director or officer.

#### ***Penalties or Sanctions***

No person who is proposed to be a director or officer of the Resulting Issuer following the completion of the Transaction, or to the knowledge of management of Sprout or TheraCann any shareholder who will be holding a sufficient number of Resulting Issuer Shares to affect materially the control of the Resulting Issuer is, or during the 10 years prior to the date hereof, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or a Canadian securities regulatory authority or entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any penalties or sanctions by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

#### ***Individual Bankruptcies***

No person who is proposed to be a director or officer of the Resulting Issuer following the completion of the Transaction, or to the knowledge of management of Sprout or TheraCann any shareholder who will be holding a sufficient number of Resulting Issuer Shares to affect materially the control of the Resulting Issuer, during the 10 years prior to the date hereof, has been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

#### ***Conflicts of Interest***

To the knowledge of management of TheraCann and Sprout, no existing or potential material conflicts of interest exist presently or will exist between the Resulting Issuer or Amalco and any proposed director, officer or promoter of the Resulting Issuer or Amalco following completion of the Transaction.

### **EXECUTIVE COMPENSATION**

For the purposes of this section Named Executive Officers (“**NEO**”) are the proposed Chief Executive Officer and Chief Financial Officer of the Resulting Issuer following the Transaction. Based on the above criteria, the only NEOs for the Resulting Issuer are expected to be Chris Bolton (Chairman and Chief Executive Officer), Ricardo Ferrer (Chief Operating Officer) and Pedro Silva (Chief Financial Officer) for the 12 and 6 month periods, respectively, after giving effect to the Transaction.

### ***Compensation Discussion and Analysis***

The Resulting Issuer anticipates creating a Compensation Committee that may be created and determined following completion of the Transaction and as determined necessary by the Resulting Issuer. In the meantime, compensation to be paid to the officers and directors of the Resulting Issuer will be determined by the Resulting Issuer Board. It is expected that compensation that will be paid by the Resulting Issuer to the executive officers in the twelve month period after the closing of the Transaction will be based on, and consistent with, recommendations of the Resulting Issuer Board. In addition, the Resulting Issuer Board expects to recommend the compensation, if any, to be paid to directors for services rendered in that capacity. Directors will be entitled to participate in the stock option plan of the Resulting Issuer.

When determining compensation policies and individual compensation levels for the Resulting Issuer's executive officers a variety of factors will be considered, including: the overall financial and operating performance of the Resulting Issuer, each executive officer's individual performance and contribution towards meeting corporate objectives, each executive officer's level of responsibility and length of service and industry comparables.

The Resulting Issuer's compensation philosophy for its executive officers is expected to follow three underlying principles: to provide compensation packages that encourage and motivate performance; to be competitive with other companies in the industry in which it operates, so as to attract and retain talented executives; and to align the interests of its executive officers with the long-term interests of the Resulting Issuer and its shareholders through stock related programs.

Stock option grants will be used to align executive interests with those of shareholders and will be based on the executive's performance, level of responsibility, as well as the number and exercise price of options previously issued to the executive his overall aggregate total compensation package. It is anticipated that the Resulting Issuer will grant stock options to its directors and officers following the closing of the Transaction at the discretion of the Resulting Issuer Board.

### ***Compensation Excluding Compensation Securities***

The following table sets forth, as of the date hereof, a summary of all compensation, excluding compensation securities, the Resulting Issuer anticipates it will pay to the executive officers and directors of the Resulting Issuer in the 12 month period after giving effect to the Transaction:

| <b>Name and Position</b>                               | <b>Salary, Consulting Fee, Retainer or Commission (\$)</b> | <b>Bonus (\$)</b>  | <b>Committee or Meeting Fee (\$)</b>                       | <b>Value of Perquisites (\$)</b> | <b>Value of all Other Compensation (\$)</b> | <b>Total Compensation (\$)</b> |
|--|--|--|--|----------------------------------|---|--------------------------------|
| Chris Bolton<br><i>Panama City, Republic of Panama</i> | \$145,000  | TBD by the Board of Directors Compensation Sub-committee | \$1,500 per Board Meeting, \$500 per sub-committee meeting | N/A                              | N/A   | \$155,000                      |
| Pedro Silva<br><i>Lisbon, Portugal</i>                 | \$135,000  | TBD by the Board of Directors Compensation Sub-committee | N/A  | N/A                              | N/A   | \$135,000                      |

| Name and Position                                   | Salary, Consulting Fee, Retainer or Commission (\$) | Bonus (\$)   | Committee or Meeting Fee (\$)                              | Value of Perquisites (\$) | Value of all Other Compensation (\$) | Total Compensation (\$)  |
|---|---|--|--|---------------------------|--------------------------------------|--|
| Ricardo Ferrer<br><i>Panama, Republic of Panama</i> | \$64,800  | TBD by the Board of Directors Compensation Sub-committee | N/A  | N/A                       | N/A                                  | \$64,800   |
| Shawn Kelly,<br>Kingston, Canada                    | N/A   | TBD by the Board of Directors Compensation Sub-committee | N/A  | N/A                       | 3.5% Commission calculated annually  | TBD  |
| Jaikishin Aswani,<br><i>Quebec, Canada</i>          | N/A   | N/A  | \$1,500 per Board Meeting, \$500 per sub-committee meeting | N/A                       | N/A                                  | \$10,000 based on 4 Board Meetings, and 8 Sub-committee meetings per year. |
| Doug Connell<br><i>Ottawa, Canada</i>               | N/A   | N/A  | \$1,500 per Board Meeting, \$500 per sub-committee meeting | N/A                       | N/A                                  | \$10,000 based on 4 Board Meetings, and 8 Sub-committee meetings per year. |
| Kevin Delano<br>Toronto, Canada                     | N/A   | N/A  | \$1,500 per Board Meeting, \$500 per sub-committee meeting | N/A                       | N/A                                  | \$10,000 based on 4 Board Meetings, and 8 Sub-committee meetings per year. |
| Brian Nolan,<br>Ontario, Canada                     | N/A   | N/A  | \$1,500 per Board Meeting, \$500 per sub-committee meeting | N/A                       | N/A                                  | \$10,000 based on 4 Board Meetings, and 8 Sub-committee meetings per year. |
| Calie-Anne Bolton<br><i>Calgary, Canada</i>         | N/A   | N/A  | \$1,500 per Board Meeting, \$500 per sub-committee meeting | N/A                       | N/A                                  | \$10,000 based on 4 Board Meetings, and 8 Sub-committee meetings per year. |

Any additional compensation to be paid to the executive officers and directors of the Resulting Issuer for the 12 month period after giving effect to the Transaction will be determined by the Resulting Issuer Board.

### ***Stock Options and Other Compensation Securities***

Upon Closing of the Transaction, it is anticipated that the Resulting Issuer will have granted and outstanding 4,639,205 Resulting Issuer Options and 5,594,336 Resulting Issuer RSUs. See “*Pro Forma Consolidated Capitalization*”.

### ***Employment, Consulting and Management Agreements***

#### **Compensation of Mr. Chris Bolton, Chairman and Chief Executive Officer**

The Resulting issuer expects to enter into an employment agreement with Chris Bolton (the “**Bolton Agreement**”), to act as the Chairman and Chief Executive Officer of the Resulting Issuer. Pursuant to the Bolton Agreement, Mr. Bolton will receive an annual salary of \$145,000, participation in the Compensation of Directors program estimated to be \$15,000 per annum, participation in the restricted stock unit (RSU), and stock option plan of the Resulting Issuer. The Bolton Agreement will contain other customary terms for individuals acting in similar positions for issuers operating in the same industry.

#### **Compensation of Ms. Pedro Silva, Chief Financial Officer**

The Resulting issuer expects to enter into an employment agreement with Pedro Silva (the “**Silva Agreement**”), to act as the Chief Financial Officer of the Resulting Issuer. Pursuant to the Silva Agreement, Mr. Silva will receive an annual salary of \$130,000 and participation in the restricted stock unit (RSU), and stock option plan of the Resulting Issuer. The Silva Agreement will contain other customary terms for individuals acting in similar positions for issuers operating in the same industry.

#### **Compensation of Mr. Ricardo Ferrer, Chief Operating Officer**

The Resulting issuer expects to enter into an employment agreement with Ricardo Ferrer (the “**Ferrer Agreement**”), to act as the Chief Operating Officer of the Resulting Issuer. Pursuant to the Ferrer Agreement, Mr. Ferrer will receive an annual salary of \$64,800 and participation in the restricted stock unit (RSU), and stock option plan of the Resulting Issuer. The Ferrer Agreement will contain other customary terms for individuals acting in similar positions for issuers operating in the same industry.

#### **Compensation of Mr. Shawn Kelly, Chief Revenue Officer**

The Resulting issuer expects to enter into an employment agreement with Shawn Kelly (the “**Kelly Agreement**”), to act as the Chief Revenue Officer of the Resulting Issuer. Pursuant to the Kelly Agreement, Mr. Kelly will receive an annual compensation based on 3.5% of investment and / or sales closed, and participation in the restricted stock unit (RSU), and stock option plan of the Resulting Issuer. The Kelly Agreement will contain other customary terms for individuals acting in similar positions for issuers operating in the same industry.

### ***Pension Plan Benefits***

The Resulting Issuer does not anticipate having a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

### ***Compensation of Directors***

The Resulting Issuer is expected to pay compensation to Directors a flat fee of \$1,500 per regular board meeting, and \$500 per sub-committee meeting. With the exception of the Chairman of the Board, all other Directors are also provided Resulting Issuer Options, and Resulting Issuer RSUs. Director's fees to be determined and reviewed annually.

#### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

None of the persons who are proposed to be directors, employees or executive officers of the Resulting Issuer following the completion of the Transaction, and none of the associates of such persons is or has been indebted to either the Sprout or TheraCann at any time during the most recently completed financial year of each of Sprout and TheraCann, respectively, or will be indebted to the Resulting Issuer upon completion of the Transaction. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Sprout or TheraCann.

#### **AUDIT COMMITTEES AND CORPORATE GOVERNANCE**

The Resulting Issuer's Audit Committee will be made up of Jaikishin Aswani, Doug Connell, and Brian Nolan, all of whom are considered financially literate in accordance with National Instrument 52-110 – *Audit Committees*, and the companion policies and forms thereto, as amended from time to time. All committee members are considered independent.

Upon Closing of the Transaction the Resulting Issuer will continue to administer Sprout's Audit Committee (incorporated herein by reference), which is attached as Appendix "A" to the Company's management information circular filed on June 15, 2024 on SEDAR+ under the Company's profile at [www.sedarplus.ca](http://www.sedarplus.ca).

#### **CORPORATE GOVERNANCE**

Upon Closing of the Transaction the Resulting Issuer will adopt Sprout AI's corporate governance practices disclosed under the heading "Sprout-Corporate Governance Guidelines-FINAL-approved January 31, 2023."

#### **RISK FACTORS**

The current business of TheraCann will be the business of the Resulting Issuer upon completion of the Transaction. Accordingly, risk factors relating to TheraCann's current business will be risk factors relating to the Resulting Issuer's business. Due to the nature of the Resulting Issuer's business, the legal and economic climate in which it operates and the present stage of TheraCann's development, the Resulting Issuer is subject to significant risks. The Resulting Issuer's future development and operating results may be very different from those expected as at the date of this Information Circular. Readers should carefully consider all such risks. Risk factors relating to the Resulting Issuer include, but are not limited to, the following:

##### ***Competition***

The Resulting Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Resulting Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Resulting Issuer.

### ***Environmental and Employee Health and Safety Regulation***

Agricultural operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions in manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations or give rise to material liabilities, which could have a material adverse effect on the proposed business, results of operations and financial condition of the Resulting Issuer. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of agricultural companies, or more stringent implementation thereof, could have a material adverse impact on the Resulting Issuer and cause increases in capital expenditures or production costs or reduction in levels of production at any future producing properties or require abandonment or delays in the development of new mining properties.

### ***Reliance on Key Personnel***

The success of the Resulting Issuer will be largely dependent upon the performance of its management and key employees and contractors. In assessing the risk of an investment in the shares of the Resulting Issuer, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the proposed management of the Resulting Issuer. The Resulting Issuer does not maintain life insurance policies in respect of its key personnel. The Resulting Issuer could be adversely affected in the event such individuals do not remain with the Resulting Issuer.

### ***Risk of Infectious Disease Outbreaks***

Emerging infectious diseases or the threat of outbreaks of viruses or other contagions or epidemic diseases, including the COVID-19 outbreak, could have a material adverse effect on the Resulting Issuer by causing operational and supply chain delays and disruptions (including as a result of government regulation and prevention measures), labour shortages and shutdowns, social unrest, breach of material contracts, government or regulatory actions or inactions, changes in tax laws, payment deferrals, increased insurance premiums, declines in the price of precious metals, delays in permitting or approvals, governmental disruptions, capital markets volatility, or other unknown but potentially significant impacts. In addition, governments may impose strict emergency measures in response to the threat or existence of an infectious disease. The full extent and impact of the COVID-19 pandemic is unknown and, to-date, has included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices and has raised the prospect of a global recession. The international response to COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in global consumer activity. At this time, the Resulting Issuer cannot accurately predict what effects these conditions will have on agricultural operations or financial results, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of the travel restrictions and business closures that have been or may be imposed by the governments of impacted countries. In addition, a significant outbreak of contagious diseases in the human population, such as COVID-19, could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could result in a material adverse effect on commodity prices, investor confidence, and general financial market liquidity, all of



which may adversely affect the Resulting Issuer's business and the market price of the Resulting Issuer's common shares. Accordingly, any outbreak or threat of an outbreak of an epidemic disease or similar public health emergency, including COVID-19, could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations. As at the date hereof, the duration of any business disruptions and related financial impact of the COVID-19 outbreak cannot be reasonably estimated. It is unknown whether and how the Resulting Issuer may be affected if a pandemic, such as the COVID-19 outbreak, persists for an extended period of time.

### ***Risks Associated with Acquisitions***

If appropriate opportunities present themselves, the Resulting Issuer intends to acquire businesses, technologies, services or products that the Resulting Issuer believes are strategic. There can be no assurance that the Resulting Issuer will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Resulting Issuer may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Resulting Issuer's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Resulting Issuer's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Resulting Issuer to obtain additional equity or debt financing, which might not be available on terms favourable to the Resulting Issuer, or at all, and such financing, if available, might be dilutive.

### ***Market Price of Resulting Issuer Shares***

The TheraCann Shares do not currently trade on any exchange or market, and the Sprout Shares are currently listed and posted for trading on the CSE. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. If the Transaction is completed, the price of the Resulting Issuer Shares is also likely to be significantly affected by changes in the financial condition or results of operations of the Resulting Issuer. Other factors unrelated to the Resulting Issuer's performance that may have an effect on the price of the Resulting Issuer Shares include the following: the extent of analytical coverage available to investors concerning the Resulting Issuer's business may be limited if investment banks with research capabilities do not follow the Resulting Issuer's securities; lessening in trading volume and general market interest in the Resulting Issuer's securities may effect an investor's ability to trade significant numbers of Resulting Issuer Shares; the size of the Resulting Issuer's public float may limit the ability of some institutions to invest in the Resulting Issuer's securities; and a substantial decline in the price of the Resulting Issuer Shares that persists for a significant period of time could cause the Resulting Issuer's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Resulting Issuer Shares at any given point in time may not accurately reflect the Resulting Issuer's long-term value. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Resulting Issuer may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### ***Unforeseen Expenses***

While the Resulting Issuer is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Resulting Issuer may be adversely affected.

***Investing in equity securities is speculative***

An investment in the Resulting Issuer Shares will carry a high degree of risk and should be considered as a speculative investment. The Resulting Issuer will have no history of earnings, limited cash reserves and a limited operating history.

***Dividend Policy***

No dividends on any of the Sprout Shares or TheraCann Shares have been paid by either Sprout or TheraCann to date. Sprout and TheraCann currently plan that, assuming completion of the Transaction, the Resulting Issuer will retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends by the Resulting Issuer, if any, will be at the discretion of the Resulting Issuer Board after taking into account many factors, including the Resulting Issuer's operating results, financial condition, and current and anticipated cash needs.

***Costs of being a publicly traded company***

As the Resulting Issuer will have publicly-traded securities, significant legal, accounting and filing fees will be incurred. Securities legislation and the rules and policies of the CSE require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly contribute to legal, financial and securities regulatory compliance costs.

***Global Economy Risk***

Any economic slowdown and downturn of global capital markets could make the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. These factors may impact the Resulting Issuer's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Resulting Issuer. If uncertain market conditions persist, the Resulting Issuer's ability to raise capital could be jeopardized, which could have an adverse impact on the Resulting Issuer's operations and the trading price of the Resulting Issuer's Shares on the stock exchange.

***Dilution to Sprout Shares and ThereCann Shares***

It is anticipated that immediately prior to the Transaction, Sprout will have 90,964,806 Sprout Shares issued and outstanding and TheraCann will have 11,631,431 TheraCann Shares issued and outstanding. In the event that the Transaction is completed, (i) the Consolidation will be affected, such that one (1) post-Consolidation Sprout Share shall be issued for every 3.3333 outstanding Sprout Shares currently issued and outstanding, resulting in approximately 27,289,715 post-Consolidation Sprout Shares being outstanding; (ii) an aggregate of up to 5,932,836 TheraCann Shares will be issued to DebentureHolders in previous Financing; and (iii) the Amalgamation shall then be effected, upon which an aggregate of 61,600,057 Resulting Issuer Shares shall be issued to former TheraCann Shareholders in accordance with the Amalgamation Agreement.

***The Resulting Issuer may issue additional equity securities in future financings, resulting in dilution to investors.***

The increase in the number of Resulting Issuer Shares issued and outstanding, and the sales of such shares, may have a depressive effect on the price of the Resulting Issuer Shares. In addition, as a result of the issuance of such additional Resulting Issuer Shares, the voting power of the existing Sprout Shareholders and TheraCann Shareholders will be substantially diluted.

***Future Sales of Resulting Issuer Shares by Existing Shareholders***

Sales of a large number of Resulting Issuer Shares in the public markets, or the potential for such sales, could decrease the trading price of the Resulting Issuer Shares and could impair the Resulting Issuer's ability to raise capital through future sales of Resulting Issuer Shares.

#### PROMOTERS

Chris Bolton is a promoter of TheraCann within the meaning of relevant Canadian securities legislation, as he took the initiative in founding and organizing the business of TheraCann. Upon Closing of the Transaction, Chris Bolton will constitute a promoter of the Resulting Issuer and will beneficially own or exercise control or direction over 26,480,000 Resulting Issuer Shares, comprising over 24.3% of the issued and outstanding Resulting Issuer Shares as at Closing. Apart from Mr. Bolton, no person or company will be a promoter of the Resulting Issuer, or has been within the two years immediately preceding the date of this Information Circular a promoter of the Company, TheraCann, or a subsidiary of the TheraCann.

#### LEGAL PROCEEDINGS

On April 30, 2024, the Ministry of Labor and Labor Development of the Republic of Panama dismissed in its entirety an administrative labor claim totaling USD \$152,353.60 against TheraCann and its related subsidiaries. This claim, filed by former staff regarding 2020 labor disputes, was ruled in favor of TheraCann International and its subsidiaries, and this decision is considered final.

On October 31, 2023, TheraCann filed a defense and counterclaim against K2 and related third parties, seeking damages in excess of CDN \$140 million. This was in response to a civil action in Alberta brought by K2 Principal Fund L.P. (hereinafter "K2"), which alleged that TheraCann owed CDN \$2,843,792 on two debenture agreements issued in 2018 and 2019, including interest. TheraCann's defense claims that the debenture format used was never sanctioned by its Board of Directors, that the calculation is erroneous, and that any claim for payment is defended on the legal principle of "unclean hands." TheraCann further alleges that K2 used the debentures to engage in a scheme to defraud TIBC and its subsidiary Sprout AI S.A. ("Sprout"). TheraCann is now amending its counterclaim to include another plaintiff corporation with similar claims against K2 and related third parties.

In March 2023, TheraCann commenced a civil action against Boardroom Consultants of South Africa for overbilling charges amounting to USD \$66,485.86, interest on this amount at a rate of 8.25%, and the cost of the suit. In late 2024, after delays in the defense process, Boardroom Appointments filed a counterclaim for USD \$49,580.25, interest at the rate of 8.25%, and the cost of the suit. This counterclaim has yet to be approved by the Court. TheraCann has filed a motion to dismiss Boardroom's counterclaim application and to request judgment on the basis that Boardroom has not provided evidence in support of any defense to TheraCann's claim.

To the knowledge of the management of TheraCann, there are no other actual or contemplated material legal proceedings to which TheraCann is a party.

Neither Sprout nor TheraCann is a party to any other legal proceedings currently material to such an entity, or of which any of such entity's property is the subject matter, and no such proceedings are known by either Sprout or TheraCann to be contemplated.

#### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

See "Schedule "B" – Information Concerning TheraCann – Interest of Informed Persons in Material Transactions".

**AUDITORS**

Subject to the approval of the Resulting Issuer Auditor Resolution, upon completion of the Transaction, the auditors of the Resulting Issuer will be Garcia Vega & Asociados, Panama, Grant Thornton Panama, and Segal LLP, Canada as the Chartered Professional Accountants.

**REGISTRAR AND TRANSFER AGENT**

The transfer agent and registrar for the Resulting Issuer will be Endeavor Trust Corporation at its principal offices in Vancouver, British Columbia following the Transaction.

**MATERIAL CONTRACTS**

See “Schedule “B” – Information Concerning TheraCann – Material Contracts”.

**EXPERTS**

Garcia Vega & Asociados, Chartered Professional Accountants, issued an independent consolidated auditors’ report, including audited financial reports provided by Segal LLC (Canada) for Sprout AI Inc, and Sprout AI S.A., and Grant Thornton Panama, related to calculation and verification of TheraCann Debentures, for the audited annual financial statements of the Company for the years ended December 31, 2021 and December 31, 2022 which are incorporated by reference herein. Segal LLP is independent of the Resulting Issuer, the Company and TheraCann, in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of the Republic of Panama.

Segal LLC, Certified Public Accountants, issued an independent auditors’ report for the audited annual financial statements of Sprout AI Inc. for the year ended December 31, 2021, and December 31, 2022 which are attached as Schedule “D” hereto. Segal LLC is independent of the Resulting Issuer, the Company and TheraCann, in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of the Province of Ontario, Canada.

Grant Thornton Panama, issued an independent auditors’ report related to the calculation and categorization of TheraCann Debentures for the years ending December 31, 2021, and December 31, 2022, which are incorporated by reference herein, which are attached as Schedule “D” hereto. Grant Thornton Panama is independent of the Resulting Issuer, the Company and TheraCann, with the Code of Professional Conduct of the Chartered Professional Accountants of the Republic of Panama.

To the knowledge of the Company and TheraCann none of the experts above or their respective Associates or Affiliates, beneficially owns, directly or indirectly, any securities of the Company or TheraCann, has received or will receive any direct or indirect interests in the property of the Company or TheraCann, or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or any Associate or Affiliate thereof.

**SCHEDULE “D”**

**THERACANN AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2023, AND 2022 AND THREE MONTH PERIOD ENDED MARCH 31, 2024 (REVIEWED)**

**AND**

**THERACANN AUDITED CONSOLIDATED MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL  
YEAR ENDED DECEMBER 31, 2023, AND 2022 AND THREE MONTH PERIOD ENDED MARCH 31, 2024  
(REVIEWED)**

*[See attached]*

**TheraCann International Benchmark Corporation  
and Subsidiaries**

**Consolidated Financial Statements  
December 31, 2022**

(With Independent Auditor's Report Thereon)

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## **Independent Auditor's Report**

To the Boards of Directors and Shareholders of  
TheraCann International Benchmark Corporation

Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the consolidated financial statements of TheraCann International Benchmark Corporation and Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in equity (deficiency) and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities related to the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethics requirements that are relevant to our audit of the consolidated financial statements in the Republic of Panama, and we have fulfilled all other ethical responsibilities in accordance with those requirements and the Code of Ethics of the IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Relating to Going Concern*

We draw attention to note 1 in the consolidated financial statements which indicates that the Group has incurred a comprehensive loss of USD2,745,947 (2021: USD10,579,238), and show us accumulated deficit of USD11,177,085 (2021: USD9,059,156), total equity (deficiency) of USD12,495,945 (2021: USD9,749,998) and negative working capital of USD14,549,056 (2021: USD12,299,242) for the year ended December 31, 2022.

As stated on note 1, these events or conditions, along with other matter as set forth in note 1 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In addition to the matter described in the Basis for Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| Impairment Assessment of Intangible Assets  |   |
|---|---|
| The key audit matter  | How the matter was addressed in our audit   |
| As described in Note 11 to the consolidated financial statements, the Group's intangible asset balances were USD2,038,340 as of December 31, 2022 (2021: USD1,908,363). Management conducts an impairment assessment annually as of December 31, or more frequently if events or changes in circumstances indicate that the carrying value of a cash generating unit exceeds its fair value. Any impairment charges are determined by comparing the fair value of the cash generating unit to its carrying value. The recoverable amount of a cash generating unit is determined by management based on discounted cash flow projections. Management's cash flow projections for the cash generating unit included significant judgements and assumptions relating to a transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets. Based on the results of the impairment assessments, no impairments were recorded for both December 31, 2022 and 2021. | The principal considerations for our determination that performing procedures relating to the impairment assessments of intangible assets is a key audit matter are (i) a high degree of auditor judgment and subjectivity in performing procedures relating to the fair value of the cash generating unit due to the significant judgement by management when developing the estimate; and (ii) the significant audit effort in evaluating management's significant assumptions related to the transaction realization rate, discount rate, future cash flows, and the future revenues to be generated from the intangible assets. Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, amount others, (i) testing management's process for developing the fair value estimates of the cash generating unit; (ii) evaluating the appropriateness of the underlying discounted cash flow projections; (iii) testing the completeness and accuracy of underlying data used in the projections; and (iv) evaluating the reasonableness of the significant assumptions used by management, including the transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets. |

|  |   |
|--|---|
|  | Evaluating management's significant assumptions related to the transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets involved evaluating whether the significant assumptions, used by management were reasonable considering (i) the current and past performance of the cash generating unit; (ii) the consistency with external market and industry data; (iii) sensitivities over significant inputs and significant assumptions; and (iv) whether these significant assumptions were consistent with evidence obtained in other areas of the audit, as applicable. |
|--|---|

| Valuation of convertible debentures   |  |
|---|--|
| The key audit matter  | How the matter was addressed in our audit  |
| <p>Between 2018 and 2019, the Parent Company issued a private debt through convertible debentures into shares.</p> <p>These obligations were renewed in the 2021 period, which have a maturity of 24 months from the closing of the issue.</p> <p>As described in Note 15 to the consolidated financial statements, the Group's convertible debentures balances were USD6,291,793 as of December 31, 2022 (2021: USD6,291,793).</p> | <p>These obligations are initially recognized at fair value, and subsequently they will be measured at its amortized cost using the effective interest method. The determination of the subsequently measured as at its amortized cost is using the effective interest method was significant to our audit and considered a key audit matter due to the significance of its value and the degree of judgement and subjectivity in evaluating management's estimates. We obtained an understanding of the valuation methodology and inputs used by management and evaluated management's key assumptions.</p> |

#### *Emphasis of Matter*

We draw attention to Note 25 to the consolidated financial statements, which describe the balances and transactions with its related parties. These balances and transactions have important effects on the consolidated financial position, the consolidated financial performance, and consolidated cash flows of the Group.

#### *Other Matter*

The consolidated financial statements for the years ended December 31, 2021, 2020 and 2019 were not audited by Garcia Vega & Asociados, nor by other auditors.

### *Responsibilities of Management's and those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concerned, and using the going concern basis of accounting, unless Management either intends to liquidate the Group or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We are independent of the Group in accordance with the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Panama and the IESBA Code, and we have complied with our other ethical responsibilities in accordance with these requirements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and specific evidence in relation to the financial information of entities or business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and execution of the Group audit. We are solely responsible for our audit opinion.


We communicate with those in charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### *Other Legal Information Requirements*

In compliance with Law 280 of December 30, 2021, which regulates the Profession of Authorized Public Accountant in the Republic of Panama, we declare the following:

- That the direction, execution, and supervision of this audit work has been carried out physically in Panamanian territory for the business activities that carry out their operations that are perfected, consumed, or take effect within the Republic of Panama.
- The partner in charge of the audit that has prepared this report of the independent auditors is Delia García with the Professional License number of the certified public accountant (C.P.A.) #1304.
- The work team that has participated in the audit of the Group referred to in this report is made up of Delia García, Partner; Katia Abrego, Senior Manager.

Panama, Republic of Panama  
May 13, 2024

  
Delia García  
Partner  
C.P.A.1304

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2022**  
**(Expressed in United States Dollars)**

| <b>Assets</b>  | <b>Note</b> | <b>2022</b>         | <b>2021 (Unaudited)</b> |
|--|-------------|---------------------|-------------------------|
| <b>Current assets</b>  |             |                     |                         |
| Cash   | 4           | 2,845               | 739,851                 |
| Accounts receivable and other                                  | 5, 25       | 44,927              | 138,873                 |
| Prepaid expenses   | 6           | 207,488             | 828,628                 |
| Inventories  | 7           | 31,066              | 167,453                 |
| Total current assets   |             | 286,326             | 1,874,805               |
| <b>Non-current assets</b>                                      |             |                     |                         |
| Investment   | 8           | 0                   | 100,000                 |
| Right-of-use assets  | 9           | 278,095             | 514,522                 |
| Property and equipment   | 10          | 253,177             | 437,945                 |
| Intangible assets  | 11          | 2,038,340           | 1,908,363               |
| Other assets   | 25          | 10,000              | 10,000                  |
| Total non-current assets                                       |             | 2,579,612           | 2,970,830               |
| <b>Total assets</b>  |             | <b>2,865,938</b>    | <b>4,845,635</b>        |
| <b>Liabilities</b>   |             |                     |                         |
| <b>Current liabilities</b>                                     |             |                     |                         |
| Accounts payable and other                                     | 12, 25      | 1,552,497           | 1,819,562               |
| Accrued and payroll liabilities                                |             | 132,729             | 337,873                 |
| Customer advances  | 13          | 885,015             | 1,656,540               |
| Current portion of loans                                       | 14          | 50,236              | 0                       |
| Convertible debentures   | 15          | 11,931,658          | 10,115,539              |
| Current portion of lease liabilities                           | 16          | 283,247             | 244,534                 |
| Total current liabilities                                      |             | 14,835,382          | 14,174,048              |
| <b>Non-current liabilities</b>                                 |             |                     |                         |
| Loans  | 14          | 524,451             | 102,079                 |
| Lease liabilities  | 16          | 2,050               | 319,506                 |
| Total non-current liabilities                                  |             | 526,501             | 421,585                 |
| <b>Total liabilities</b>                                       |             | <b>15,361,883</b>   | <b>14,595,633</b>       |
| <b>Shareholder's equity (deficiency)</b>                       |             |                     |                         |
| Share capital  | 17          | 10,000              | 10,000                  |
| Capital stock reserve  | 18          | 25,351              | 25,351                  |
| Non-controlling interests                                      |             | (1,354,211)         | (726,192)               |
| Translation reserve  |             | 186,074             | (13,261)                |
| Accumulated deficit  |             | (11,363,159)        | (9,045,896)             |
| <b>Total shareholder's equity (deficiency)</b>                 |             | <b>(12,495,945)</b> | <b>(9,749,998)</b>      |
| <b>Total liabilities and shareholder's equity (deficiency)</b> |             | <b>2,865,938</b>    | <b>4,845,635</b>        |

See accompanying notes to the consolidated financial statements.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the year ended on December 31, 2022**  
**(Expressed in United States Dollars)**

|                                       | Note | 2022               | 2021 (Unaudited)    |
|---------------------------------------|------|--------------------|---------------------|
| <b>Revenues</b>                       |      |                    |                     |
| Sale of products                      | 19   | 1,279,548          | 238,936             |
| Service revenue                       | 19   | 788,175            | 72,987              |
| <b>Total revenues</b>                 |      | <b>2,067,723</b>   | <b>311,923</b>      |
| <b>Costs</b>                          |      |                    |                     |
| Cost of sales                         |      | 694,721            | 0                   |
| Cost of services                      |      | 113,692            | 66,666              |
| <b>Total costs</b>                    |      | <b>808,413</b>     | <b>66,666</b>       |
| <b>Gross profit</b>                   |      | <b>1,259,310</b>   | <b>245,257</b>      |
| <b>Expenses</b>                       |      |                    |                     |
| General and administrative expense    | 21   | 1,650,094          | 2,053,264           |
| Listing expense                       | 23   | 0                  | 4,263,243           |
| Bad debt expense                      | 5    | 37,845             | 0                   |
| Loss in investment fair value         |      | 100,000            | 0                   |
| Foreign exchange (gain) loss          |      | (620,992)          | 124,354             |
| Depreciation and amortization         |      | 623,346            | 656,714             |
| <b>Total expenses</b>                 |      | <b>1,790,293</b>   | <b>7,097,575</b>    |
| <b>Operating loss</b>                 |      | <b>(530,983)</b>   | <b>(6,852,318)</b>  |
| <b>Finance costs</b>                  |      |                    |                     |
| Interest expense on lease liabilities | 16   | 5,723              | 86,227              |
| Finance costs                         | 14   | 24,431             | 0                   |
| Interest expense on debentures        | 15   | 1,529,230          | 0                   |
| <b>Total finance costs</b>            |      | <b>1,559,384</b>   | <b>86,227</b>       |
| <b>Other incomes (expenses)</b>       |      |                    |                     |
| Other incomes                         |      | 142,112            | 180,223             |
| Fair value adjustment of debentures   | 15   | (1,059,702)        | (3,823,747)         |
| Fair value adjustment of debt         | 13   | 62,675             | 0                   |
| <b>Total other incomes (expenses)</b> |      | <b>(854,915)</b>   | <b>(3,643,524)</b>  |
| <b>Loss for the period</b>            |      | <b>(2,945,282)</b> | <b>(10,582,069)</b> |

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Consolidated Statements of Loss and Comprehensive Loss (Continued)**  
**For the year ended on December 31, 2022**  
**(Expressed in United States Dollars)**

|   | <b>Note</b> | <b>2022</b>        | <b>2021 (Unaudited)</b> |
|---|-------------|--------------------|-------------------------|
| <b>Comprehensive loss</b>   |             |                    |                         |
| <b>Items that are or may be reclassified subsequently to profit or loss</b> |             |                    |                         |
| Foreign exchange effect on debentures                                       | <b>20</b>   | <b>174,173</b>     | <b>0</b>                |
| Exchange differences on translation of foreign operations                   | <b>20</b>   | <b>25,162</b>      | <b>2,831</b>            |
|   |             | <b>199,335</b>     | <b>2,831</b>            |
| <b>Total comprehensive loss for the period</b>                              |             | <b>(2,745,947)</b> | <b>(10,579,238)</b>     |
| <b>Loss attributable to</b>   |             |                    |                         |
| <b>Owners of the Group</b>  |             | <b>(1,560,999)</b> | <b>(5,608,497)</b>      |
| <b>Non-controlling interests</b>  |             | <b>(1,384,283)</b> | <b>(4,973,572)</b>      |
| <b>Total loss attributable to</b>   |             | <b>(2,945,282)</b> | <b>(10,582,069)</b>     |
| <b>Comprehensive loss attributable to</b>                                   |             |                    |                         |
| <b>Owners of the Group</b>  |             | <b>(1,455,352)</b> | <b>(5,606,996)</b>      |
| <b>Non-controlling interests</b>  |             | <b>(1,290,595)</b> | <b>(4,972,242)</b>      |
| <b>Total comprehensive loss attributable to</b>                             |             | <b>(2,745,947)</b> | <b>(10,579,238)</b>     |

See accompanying notes to the consolidated financial statements.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Equity (Deficiency)**  
**For the year ended December 31, 2022**  
**(Expressed in United States Dollars)**

|   | Attributable to owners of the Group |               |                       |                     |                     |                            |                          |              |              |
|---|-------------------------------------|---------------|-----------------------|---------------------|---------------------|----------------------------|--------------------------|--------------|--------------|
| Note                                    | Number of common shares             | Share capital | Capital stock reserve | Translation reserve | Accumulated deficit | Total controlling interest | Non-controlling interest | Total equity |              |
| Balance, December 31, 2020 (Unaudited)  | 10,000,000                          | 10,000        | 25,351                | (16,092)            | (4,954,726)         | (4,935,467)                | (987,235)                | (5,922,702)  |              |
| Comprehensive loss for the period       |                                     |               |                       |                     |                     |                            |                          |              |              |
| Other comprehensive loss for the period | 20                                  | 0             | 0                     | 0                   | 2,831               | 0                          | 2,831                    | 0            | 2,831        |
| Net loss for the period                 |                                     | 0             | 0                     | 0                   | 0                   | (10,582,069)               | (10,582,069)             | 0            | (10,582,069) |
| Total comprehensive loss for the period |                                     | 0             | 0                     | 0                   | 2,831               | (10,582,069)               | (10,579,238)             | 0            | (10,579,238) |
| Reverse take over transaction           | 23                                  | 0             | 0                     | 0                   | 0                   | 0                          | 6,751,942                | 6,751,942    |              |
| Non-controlling interests – net loss    |                                     | 0             | 0                     | 0                   | 0                   | 6,490,899                  | 6,490,899                | (6,490,899)  | 0            |
| Balance, December 31, 2021 (Unaudited)  | 10,000,000                          | 10,000        | 25,351                | (13,261)            | (9,045,896)         | (9,023,806)                | (726,192)                | (9,749,998)  |              |
| Comprehensive loss for the period       |                                     |               |                       |                     |                     |                            |                          |              |              |
| Other comprehensive loss for the period | 20                                  | 0             | 0                     | 0                   | 199,335             | 0                          | 199,335                  | 0            | 199,335      |
| Net loss for the period                 |                                     | 0             | 0                     | 0                   | 0                   | (2,945,282)                | (2,945,282)              | 0            | (2,945,282)  |
| Total comprehensive loss for the period |                                     | 0             | 0                     | 0                   | 199,335             | (2,945,282)                | (2,745,947)              | 0            | (2,745,947)  |
| Non-controlling interests – net loss    |                                     | 0             | 0                     | 0                   | 0                   | 628,019                    | 628,019                  | (628,019)    | 0            |
| Balance, December 31, 2022              | 10,000,000                          | 10,000        | 25,351                | 186,074             | (11,363,159)        | (11,141,734)               | (1,354,211)              | (12,495,945) |              |

See accompanying notes to the consolidated financial statements.



**TheraCann International Benchmark Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the year ended December 31, 2022**  
**(Expressed In United States Dollars)**

|   | Note     | 2022             | 2021 (Unaudited) |
|---|----------|------------------|------------------|
| <b>Operating activities</b>                                 |          |                  |                  |
| Loss and comprehensive loss for the period                  |          | (2,745,947)      | (10,579,238)     |
| Adjustments for:  |          |                  |                  |
| Expected credit losses of account receivables               | 5        | 37,845           | 0                |
| Loss in investment fair value                               |          | 100,000          | 0                |
| Depreciation and amortization                               |          | 623,346          | 656,714          |
| Disposal of furniture and equipment                         | 10       | 8,641            | 0                |
| Gain on disposition of property and equipment               |          | (47,454)         | 0                |
| Reclassification of right-of-use assets                     | 9        | (9,700)          | 0                |
| Reclassification of intangible asset                        |          | 0                | (144,667)        |
| Interest expense on lease liabilities                       | 16       | 5,723            | 86,227           |
| Finance costs   | 14       | 24,431           | 0                |
| Interest expense on debentures                              | 15       | 1,529,230        | 0                |
| Fair value adjustment on debentures                         | 15       | 1,059,702        | 3,823,746        |
| Fair value adjustment on debt                               | 13       | (62,675)         | 0                |
| Foreign exchange gains loss on debentures                   |          | (772,813)        | 0                |
| Listing expense   | 23       | 0                | 4,263,243        |
| Working capital acquired through RTO                        |          | 0                | 906,489          |
|   |          | (249,671)        | (987,486)        |
| <b>Changes in working capital</b>                           |          |                  |                  |
| Accounts receivable   |          | 56,101           | 554,599          |
| Prepaid expenses  |          | 621,140          | (828,628)        |
| Inventories   |          | 136,387          | (167,453)        |
| Accounts payable and accrued liabilities                    |          | (472,209)        | 47,178           |
| Customer advances   |          | (771,525)        | 1,656,540        |
| Net changes in working capital related to operations        |          | (430,106)        | 1,262,236        |
| <b>Net cash flows (used in) / from operating activities</b> |          | <b>(679,777)</b> | <b>274,750</b>   |
| <b>Investing activities</b>                                 |          |                  |                  |
| Purchase of property and equipment                          | 10       | (14,890)         | (200,129)        |
| Proceeds from disposition of property and equipment         |          | 61,252           | 0                |
| Purchase of intangible assets                               | 11       | (329,977)        | (245,029)        |
| Cash acquired on reverse takeover acquisition               |          | 0                | 1,582,210        |
| <b>Net cash flows (used in) / from investing activities</b> |          | <b>(283,615)</b> | <b>1,137,052</b> |
| <b>Financing activities</b>                                 |          |                  |                  |
| Lease liabilities repayments                                | 15       | (284,466)        | (296,590)        |
| Proceeds of loans   | 13       | 520,000          | 0                |
| Repayments of loans to shareholders                         | 13       | (9,148)          | (318,075)        |
| <b>Net cash flows from / (used in) financing activities</b> |          | <b>226,386</b>   | <b>(614,665)</b> |
| <b>(Decrease) / increase in cash</b>                        |          | <b>(737,006)</b> | <b>797,137</b>   |
| Cash at beginning of period                                 | 4        | 739,851          | (57,286)         |
| <b>Cash at ending of period</b>                             | <b>4</b> | <b>2,845</b>     | <b>739,851</b>   |

See accompanying notes to the consolidated financial statements.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

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#### **1. Nature of operations and going concern**

TheraCann International Benchmark Corporation ("The Parent Company", "TIBC") was incorporated under the laws of the Republic of Panama, through the Public Deed No. 7137 dated April 26, 2017, and commenced operations on the same date. The registered offices are located at Parque Internacional de Negocios, Edificio 3860 Unit 5B, Panama Pacifico, Veracruz Township, Arraiján District, Panama Province, Republic of Panama.

Its main activity is to provide complete turnkey infrastructure solutions with the best technology efficient, affordable, innovative, and adaptable vertical indoor farming to highly regulated markets in the pharmaceutical industry, food industry, and government entities, ensuring traceability and maximum product quality. TheraCann offers a complete supply chain solution. From the industry/project that starts with the legal regulatory framework to production, procedures, distribution, and integration of primary technologies.

The Companies included in the consolidated financial statements of TheraCann International Benchmark Corporation and its wholly owned subsidiaries are the following:

Sprout AI Inc. ("SAI". Formerly, 12682803 B.C. Ltd.), a subsidiary owned 53% by the "Parent Company" was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. On June 1, 2021, Sprout AI, Inc. changed its name from "12682803 B.C. Ltd." to Sprout AI Inc. On July 5, 2021, the shares of the Company began trading on the Canadian Securities Exchange ("CSE") under the symbol of SPRT and subsequently changed to BYFM on November 5, 2021. On January 14, 2022, the shares of the Company began trading on the United States OTC stock market under the symbol BYFMF. The Company's head office is located at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2. The Company is engaged in vertical farming technology and is in the business of planning, design, manufacturing and /or assembling sustainable and scalable AI-controlled vertical cultivation equipment (the "habitat") for indoor vertical farming.

Sprout AI S.A. ("SASA") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on November 19, 2018, in the Republic of Panama through Public Deed No. 30280. The registered office of Sprout is located at The International Business Park Unit 5B, Building 3860, Panama Pacifico, Republic of Panama. SASA was registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 on October 7, 2019.

Sprout AI Australia PTY LTD. ("SAPTY") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on September 6, 2021, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia.

TheraCann Canada Benchmark Corp. ("TCAN") a subsidiary owned 100% by the "Parent Company", was incorporated on January 12, 2016, under the business Act of the Government of Alberta, Canada. On January 2, 2019, TCAN and "The Parent Company" entered into a Master Inter-company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCAN's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

TheraCann Australia Benchmark Pty Ltd. ("TAUS") a subsidiary owned 100% by the "Parent Company" was incorporated on July 17, 2017, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia. On June 1, 2019, TAUS and "The Parent Company" entered into a service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAUS's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology.

One System One Solution, S.A., ("OS2") a subsidiary owned 100% by the "Parent Company" was incorporated as a corporation through Public Deed No. 3,336 on February 6, 2018, and registered in the Public Registry of Panama on March 5, 2018. Its main activity is the development of applications for enterprise resource management and compliance. These applications encompass systems that oversee all daily operations, as well as the monitoring and control processes in vertical farming systems using the Sprout technology.

TheraCann Canada Inc. ("TCI") a subsidiary owned 100% by the "Parent Company", was incorporated on April 01, 2019, under the business Act of the Government of Alberta, Canada. On July 1, 2019, TCI and "The Parent Company" entered into a Master Inter-company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCI's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

ETCH Biotrace, S.A. ("ETCH") a subsidiary owned 100% by the "Parent Company", was incorporated on February 1, 2019, as a private limited company under the laws of the Republic of Panama. ETCH primary activity is to provide plant with irremovable taggant tracking system that can be used to confirm authenticity of crop source.

TheraCann Africa Benchmark ("TAFR") a subsidiary owned 100% by the "Parent Company" was incorporated on June 20, 2022, under the terms of the Minister of Trade and Industry section 223 of the Companies Act 2008 (Act No. 71 of 2008) of the Republic of South Africa. On June 2022 TAFR and "The Parent Company" entered into a service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAFR's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology.

These consolidated financial statements are prepared on the basis that the Group will continue as a going concern, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future.

Details of accumulated deficit, working capital and cash of the Group:

|                     | <b>2022</b>         | <b>2021</b>  |
|---------------------|---------------------|--------------|
| Accumulated deficit | <b>(11,177,085)</b> | (9,059,157)  |
| Working capital     | <b>(14,549,056)</b> | (12,299,243) |
| Cash                | <b>2,845</b>        | 739,851      |

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

The ability of the Group to be successful in obtaining additional future financing cannot be predicted at this present time and as such there is a material uncertainty that may cast significant doubt on the ability to continue as a going concern. The continuation of the Group as a going concern is dependent on the ability of the Group to achieve positive cash flow from operations and/or obtain necessary equity or other financing to meet its current obligations and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

As we reflect on our journey and look forward to the future, TheraCann International Benchmark Corporation is poised for transformative growth and innovation. Here are the forward-looking statements based on our current initiatives and strategic planning represented by the management:

#### **Financial Strengthening, Capital Raise, and Financial Outlook:**

In Q2 2023, TheraCann initiated a non-brokered private placement round to raise \$1M, selling shares within TheraCann at US\$3.50 per Common "A" Voting Share. As of Q3 2023, TheraCann had closed the oversubscribed round at \$1.32M. In Q1 2024 TheraCann initiated a second non-brokered private placement round to raise \$2.5 million for operational and capital expenses at US\$3.50 per Common "A" Voting Share. As of April 30, 2024, TheraCann was oversubscribed at \$3.85M. Included in this round was a share swap of TheraCann shares valued at \$3.5 per share in exchange for ownership of land in Panama suitable for construction of TheraCann's CPC sized facility. The land was appraised by Colliers valued at \$3,030,000, and is strategically located near one central food production, and packaging center of one of TheraCann's largest grocery store clients. In Q1 2024 TheraCann also secured short term loans totaling US\$370K, payable at 8% interest per month. In Q2 2024 TheraCann is in process of securing additional lines of credit, and / or mortgages, on the above land totaling up to 80% of the land value to ensure prompt project commencement. In addition to the above TheraCann has also secured memorandum of understanding (MOU), and Term Sheets to access capital post amalgamation between TheraCann and Sprout AI, totaling over \$250M for purposes of financing its 5 years business plan. In so doing, TheraCann has secured sufficient additional capital for sustainable growth and profitability.

**Expansion of Physical Infrastructure:** TheraCann has prepared a 5-year business plan ending December 2029 that includes a planned roll-out of up to 27 separate locations, in up to 7 different countries, that will include a mixture of Discovery Centre (DC), Centre of Excellence (COE), and Commercial Production Centre (CPC) sized facilities. The purpose of these strategic urban farms will be to bring our products closer to consumers, reducing logistics costs and enhancing market responsiveness. By strategically positioning these facilities globally, we will have significantly managed global risks including country, political, economic, project, and technology risks. This expansion aims to cater to grocery store chains and restaurants that heavily rely on imports to service their domestic markets. When fully operational, a DC facility is projected to generate \$3.0 million in revenue with expenses of \$1.6 million, resulting in an EBITDA of \$2.3M, based on a sales price of \$48 per Kg. TheraCann's larger COE facility is expected to achieve revenues of \$7 million with expenses of \$2.6 million, yielding an EBITDA of \$4.7 million based on \$48 per Kg. Finally, the CPC facility, designed to meet high-demand commercial needs, anticipates generating revenues of \$24.7 million with expenses of \$2.3 million, resulting in an EBITDA of \$17 million based on \$48 per Kg. In preparation for this expansion plan, the company aims to establish up to 2-4 new FaaS facilities commencing in 2024, consisting of 1-2 DC facilities, and 1-2 CPC facilities. With an estimated CAPEX cost of \$72 million, these facilities are projected to generate an annual EBITDA of \$38.6 million at full capacity based on \$48 a Kg.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

The remaining 23 facilities are then designed through 2025 through 2028 in a ramping up schedule of 5-6 facilities per year. At peak production gross revenues of \$140M per year are projected.

#### **Global Expansion through Local Integration:**

The establishment of partnerships with local universities enables TheraCann to provide practicum and internship programs within each new city farm facility placement. TheraCann currently has proven this model to be very effective in relation to this partnership with UDELAS University of Panama, University of Honduras, and as February 2024 has entered into a three-year agreement with Manipal Dubai University of Dubai, 2024-2027. Each agreement further enhances TheraCann's ability to conduct ongoing research as well as our integration of our operations into local communities and markets. Coupled with these agreements is TheraCann's focus on providing ongoing support to Federal Government Department's of Agriculture. This includes Sprout AI's agreement with the Republic of Panama, Department of Agriculture, Department of Innovation's (IDIAP) two-year agreement to further evaluate the efficacy of Sprout AI's aeroponic and fogponic systems in relation to cultivation of strawberry and potato, in direct comparison to cultivation using hydroponic and traditional field production. IDAP's multi-year evaluation of the Sprout AI system, including analysis of cost of production versus traditional farming is designed to provide impartial analysis of the efficacy of our Farm as a Solution facility and technologies.

#### **Innovation in Agricultural Technology:**

The introduction in 2022 of our groundbreaking fogponics cultivation hardware system marks a significant technological advancement over the Sprout AI's previous aeroponic hardware system. This hardware innovation not only substantially reduced the risk of cultivation failure, but also expanded the range of possible fruit and vegetable crops that can be produced indoors, including root-based crops such as carrot, beat, and potato. To further advance this hardware innovation in 2023, TheraCann's One System One Solution (OS2) was advanced to version 7.0, together with an advanced artificial intelligence (AI) module that collections, manages, and reports on the optimal operation of each habitat parameter. To further advance this cultivation and hardware system, in 2024 TheraCann's ETCH Biotrace has begun benchscale testing of a new means of adding an irremovable taggant to plants, that does not require use of DNA, that enables the traceability of each batch of crops. This level of traceability not only ensures the full transparency and traceability of each batch of crops from point of cultivation through to final consumption, destruction, or recall, but ensures the substantial reduction of counterfeit produce, and / or grey market produce entering the marketplace. In so doing, Sprout AI's indoor vertical cultivation system has gone well beyond that of any nearest indoor vertical farm competitor, by providing great range of crops, higher yields, and operations that are shown to be more sustainable in terms of power use, water use, and labour. In 2024 we have begun the process of expanding the list of crops to include the cultivation of mushrooms as well. In so doing, TheraCann will have provided the first turn-key indoor Farm as a Solution (FaaS) Facility that includes a wide range of fruit, vegetables, and mushrooms utilizing the same technology, and that is without risk of contamination from biological or chemical sources (is Pure).

#### **Transition to a Hybrid Operational Model:**

Learning from the challenges faced in client-based "You Own" projects in 2021, and 2021, TheraCann chose to enhance our business model in 2023 by implementing a "We Own" FaaS Facility model. This shift has enabled TheraCann to control the location, timing, and cost of its future projects, as well as to control more aspects of production.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

Having relied solely on a "You Own" model resulted in all previous projects starting behind schedule, largely due to client internal managerial issues, including the timely financing of the project. Having adopted a hybrid model, we are now have the option to work with a Client under a "You Own" model, or it financing is directly available to TheraCann, immediately commence a "We Own" model project. As of Q2 2024 TheraCann has commenced a "We Own" project in the Republic of Panama that will be a Commercial Production Centre (CPC) sized facility. Land for this project was procured through a land for TheraCann common "A" voting share swap. Land was subsequently put into Trust, and through that trust title to the land was transferred to TheraCann, and shares transferred to the previous owner of the land. Then through this Trust, TheraCann was able to quickly secure financial loan facilities to commence project construction for this CPC location. Following this success, TheraCann is actively negotiating additional land for equity swaps in Q2 2024 for additional project sites, and to then seek additional traditional financing for project construction commencement.

#### **Direct Sale to Wholesale Market of Pure Produce:**

Starting in 2023 and expanding in 2024, TheraCann chose to market and directly sell its Pure produce, which consists of fruits and vegetables, to domestic grocery stores within 50 kilometers of its Centre of Excellence (COE) production and processing center in Panama Pacifico, Republic of Panama. This included sale of over 15 different crops consisting of fruit and vegetables and sold at a wholesale price to these customers. This produce was cultivated under licensed obtained from the Panama Department of Health (MINSa) in Q4 2023. Produce was produced within TheraCann's Centre of Excellence (COE) located in Panama Pacifico and produced within Sprout AI controlled environment habitats. Following the successful weekly delivery of small batch crops, TheraCann sought to obtain in Q1 2024 official vendor status from the main grocery store chains in the Republic of Panama. Having obtained vendor status, TheraCann was required in 2024 to increase its production volume in Panama from its current Sprout AI habitats to a full Commercial Production Centre (CPC) Facility. Consequently, TheraCann is in process of moving from its COE as of May 2024, and commencing constructing one to two CPC's in Panama in 2024/2025 to fulfill local market demand. This wholesale model will be repeated in a multitude of different global markets based on its low cost of marketing, distribution, and high success of larger volume product placement. The median average price for produce targeted to be placed within these facilities is a median average price of \$48 per kilogram (Kg). At full production a CPC will be expected to produce \$23.5M per year in revenue and generate returns on assets (ROA) of higher than 10%, and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of higher than 60%.

#### **Filing of Patents and Trademarks:**

Commencing in 2021 and continuing through 2023, TheraCann and Sprout AI filed through Aalbin LLC a series of applications for trademarks and patents in order to protect our intellectual property (IP). These include, but are not limited to:

- GB2117915.5 10/12/2021 Patent Non-Provisional GB - United Kingdom  
GB2613633 Published method and system for automated indoor vertical cultivation of plants
- PCT/IB2022/062076 12/12/2022 Patent Non-Provisional WO - World Intellectual Property Organization (WIPO) WO2023105502 Published method and system for automated indoor vertical cultivation of plants

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

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- B2308692.9 09/06/2023 Patent Non-Provisional GB - United Kingdom Pending method and system for automated indoor vertical cultivation of plants
  - GB2308694.5 09/06/2023 Patent Non-Provisional ZA - South Africa Pending method and system for automated indoor vertical cultivation of plants
  - SG10202113746Y 10/12/2021 Patent Non-Provisional SG – Singapore Pending method and system for automated indoor vertical cultivation of plants

Our IP is registered through Panama which then offers additional IP under Penal Law.

In conclusion, TheraCann is navigating current challenges with strategic acumen and is laying a solid foundation for future growth. We are committed to leveraging our technological innovations and operational expansions to deliver sustainable value to our stakeholders and significantly enhance our market position.

## **2. Significant accounting policies**

The accounting policies detailed below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

### **Basis of presentation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC") for the periods presented.

These consolidated financial statements have been prepared on an historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for consolidated cash flow information.

Unless otherwise noted, all amounts on the consolidated financial statements are presented in United States dollars ("USD"), which is the functional currency for the Parent Company and of these subsidiaries ETCH Biotrace, S. A., One System One Solution, S. A., Sprout AI, S. A. and TheraCann Australia Benchmark PTY Ltd. The functional currency for the subsidiaries Sprout AI Inc., TheraCann Canadá Benchmark Corp, TheraCann Canada Inc. are Canadian Dollars ("CAD"), for the subsidiary TheraCann Africa Benchmark Corp. are South African Rand ("ZAR") and for the subsidiary Sprout AI Australia PTY are Australian Dollars ("AUD"). The presentation currency of these consolidated financial statements is USD.

During the period ended January 31, 2022, the Subsidiary Sprout AI Inc. changed its year end to January 31, 2022, as approved by the CSE.

The figures used in this consolidated financial statement for the subsidiary Sprout AI Inc. pertain to the period from February 1, 2022, to January 31, 2023, with comparative figures ended January 31, 2022 in accordance with the provisions specified in paragraph B93 of Reporting Date of IFRS 10 Consolidated Financial Statements.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

These consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2024.

#### **Basis of consolidation**

These consolidated financial statements include the accounts of the Parent Company and its subsidiaries as follows:

| <b>Subsidiaries</b>                    | <b>Place of Incorporation</b> | <b>Year End Date</b> | <b>Ownership Interest</b> |
|--|-------------------------------|----------------------|---------------------------|
| ETCH Biotrace S.A.                     | Panama                        | December 31          | 100%                      |
| One System One Solution S.A.           | Panama                        | December 31          | 100%                      |
| TheraCann Australia Benchmark Pty Ltd. | Australia                     | December 31          | 100%                      |
| TheraCann Africa Benchmark Corp        | South Africa                  | December 31          | 100%                      |
| TheraCann Canada Benchmark Corporation | Canada                        | December 31          | 100%                      |
| TheraCann Canada Inc.                  | Canada                        | December 31          | 100%                      |
| Sprout AI Inc.                         | Canada                        | January 31           | 53%                       |
| Sprout AI S.A.                         | Panamá                        | January 31           | 53%                       |
| Sprout AI Australia PTY                | Australia                     | June 30              | 53%                       |

#### **Subsidiaries**

A subsidiary is an entity controlled by the Group and is included in the consolidated financial statements from the date that control commences until the date the control ceases. The accounting policies of a subsidiary are changed where necessary to align them with policies adopted by the Group.

#### **Transactions eliminated on consolidation**

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in the preparation of these consolidated financial statements.

#### **Non-controlling interests**

Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### **Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### **Cash**

Cash consist of items that can be quickly converted into cash, typically within a period of less than ninety days. These assets are recorded at their transaction value. Cash includes the following items:



**TheraCann International Benchmark Corporation and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

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**Petty Cash**

Comprising funds designated for covering minor administrative expenses, the petty cash fund is only impacted during its establishment or closure. Reimbursements affect the relevant expense accounts while creating a payable to the petty cash custodian.

**Cash at Banks**

This category encompasses various savings and checking accounts held in the entity's name, maintained to meet both payment and collection needs.

**Inventories**

Inventories is valued at the lower of cost and net realizable value using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

Raw materials consumed in producing inventory are transferred to work-in-progress along with corresponding production costs incurred. Upon completion of production, work-in-progress is transferred to finished goods until the item is sold. Raw materials consumed in the development of prototypes are transferred to intellectual property when it is determined future economic benefit exists and those prototypes meet the recognition criteria as an intangible asset, otherwise they are charged to operations as development expense.

**Property and equipment**

**Recognition and measurement**

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Group, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, which is not depreciated. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

**Subsequent costs**

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the consolidated statement of loss as incurred.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

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#### **Major maintenance and repairs**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of loss and comprehensive loss during the financial period in which they are incurred.

#### **Depreciation**

Depreciation is recognized in the consolidated statement of loss and comprehensive loss and is provided for over the asset's estimated useful life:

|  |                         |
|--|-------------------------|
| Equipment                              | 3-5 years straight line |
| Leasehold improvements                 | 5 years straight line   |
| Right-of-use – Leased building         | 5-8 years straight line |
| Right-of-use – Leased office equipment | 3 years straight line   |

Depreciation methods estimated useful lives and residual values are reviewed at each year-end and adjusted if appropriate. The effect of any changes in estimate is accounted for on a prospective basis.

#### **Gains and losses**

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within the consolidated statement of loss and comprehensive loss.

#### **Leases**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases, except for those leases that are short-term or convey the right to control the use of low value assets, are recognized as right-of-use ("ROU") assets and corresponding liabilities at the date at which a leased asset is available for use. Lease payments are allocated between finance costs, calculated using the effective interest method, and a reduction of the liabilities. ROU assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

ROU assets are measured at cost, less any impairments, including:

- the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- an estimate of costs, if any, to be incurred by the Group in restoring the underlying asset to the condition required by the terms and conditions of the lease.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

Liabilities arising from a lease are initially measured as the net present value of the future lease payments, including:

- fixed payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

In recording ROU assets and related liabilities at inception of a lease, lease payments are discounted using the interest rate implicit in the lease. If that implicit rate cannot be determined, an incremental borrowing rate is used, being a rate that the Group would have to pay to borrow the funds required to obtain a similar asset, adjusted for term, security, asset value and the borrower's economic environment. The carrying amount of ROU assets and lease liabilities is remeasured if there is a modification of the lease, a change in the lease term, a change in the in-substance fixed lease payments, a change in the expected amount under a residual value guarantee, or a change in the assessment to exercise a purchase, extension, or termination option.

Payments for short-term leases and leases of low value assets are expensed on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less that do not contain a purchase option. Low value assets generally comprise computers and office furniture.

### **Intangible assets**

Intangible assets, which are not acquired as part of a business combination, are recognized at cost, net of accumulated amortization and accumulated impairment losses, if any. The internally generated intangible assets are recognized at development cost if they meet the criteria for capitalization. Intangibles acquired, if any, as part of a business combination are initially measured at their fair value on the acquisition date. Intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

|                           |                       |
|---------------------------|-----------------------|
| Patents                   | Useful life pending   |
| Trademark                 | Indefinite life       |
| Product development costs | 5 years straight line |

The estimated useful lives, amortization method, and residual value of each asset are evaluated annually or more frequently if required, and are adjusted, if appropriate.

### **Impairment of long-lived assets**

Long-lived assets, including property and equipment and intangible assets subject to amortization, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are grouped together to form a cash generating unit ("CGU") which is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

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An impairment loss is recognized when the carrying value exceeds its recoverable amount and is recognized in the consolidated statement of loss and comprehensive loss. Impairment losses recognized in respect of CGUs or CGU groups are allocated, first to reduce the carrying amount of any goodwill allocated to the CGU or CGU group, and then to reduce the net carrying amount of the other assets in the CGU or CGU group on a pro-rata basis.

The recoverable amount is the greater of its value in use and its fair value less costs to sell. The value in use is the estimated future cash flows that is discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

Impairment losses related to long-lived assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no previous impairment loss had been recognized.

### **Revenue recognition**

Revenue is recognized in accordance with the five-step model under *IFRS 15 - Revenue from Contracts with Customers* when the goods or services promised are transferred to the customer. The model separates the following steps: identification of a contract with customers, identification of individual performance obligations, determination of transaction price, allocation of the transaction price to the individual performance obligations and the determination in timing of revenue recognition.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers based on information or payment received from relevant counterparties. The Group recognizes revenue related to products and services at the point when the products have been delivered, the customer takes control, and assumes risk of loss, and the collection of consideration is probable. Product sales represent revenue from the sale of products and shipping fees charged to customers.

Customer advances (contract liabilities) represents funds paid by customers in advance for delivery of Sprout AI Habitat Systems based on the sales agreements.

The Group recognizes sales revenue when it has fulfilled the performance obligation to the counter-party through the delivery and transfer of control of the promised goods at shipping point ("FOB shipping point").

Other incomes include sponsorship income, service revenue for management, consulting, and software development services provided to related entities. Such revenue is recognized on accrual basis.

### **Research and development costs**

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following relevant criteria have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Group reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. Development costs deferred are not amortized until completion of the related development project. Amortization begins once the underlying development project is available for use.

#### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Group does not consider it is probable that a future tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Parent Company, Sprout AI S.A., One System One Solution, S.A. ETCH Biotrace, S.A. are domiciled in Panama Pacific especial tax zone and present tax-exempt status where they are not subject to corporate income tax on any of its domestic and foreign sales. This tax-exempt status expires in 2027 and can be further extended under current tax legislation.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

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**(Expressed In United States Dollars)**

Sprout AI Inc., TheraCann Canada Benchmark Corporation and TheraCann Canadá Inc. are subject to the basic federal tax rates of 38% according to the legislation of the government of Canada.

Sprout AI Australia PTY, TheraCann Australia Benchmark PTY LTD, are subject to the corporation federal tax rate of 30% on their taxable income, according to Australian tax legislation.

TheraCann Africa Benchmark Corp. is subject to the standard corporate tax rate of 27%, under the South Africa corporate income tax legislation.

### **Provision**

The Group recognizes a provision, if a result of a prior event, the Group has a current obligation requiring the outflow of resources to settle. Provisions are recorded at management's best estimate of the most probable outcome of any future settlement.

### **Foreign currency translations**

These consolidated financial statements are presented in United States Dollars which is the functional currency of the Parent Company.

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary items denominated in foreign currencies are translated into United States Dollars at exchange rates in effect at each financial position reporting date and non-monetary items are translated at rates of exchange in effect when the assets were acquired, or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

### **Financial instruments**

#### **Classification**

The Group classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Group determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Group has opted to measure them at FVTPL.

**TheraCann International Benchmark Corporation and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

The following table shows the classifications under IFRS 9:

| <b>Financial assets</b>                                       | <b>Classification</b> |
|---|-----------------------|
| Cash  | Amortized cost        |
| Accounts receivable and other                                 | Amortized cost        |
| Due from related parties                                      | Amortized cost        |
| Investment  | Amortized cost        |
| Other assets  | Amortized cost        |
| <b>Financial liabilities</b>                                  | <b>Classification</b> |
| Accounts payable and accrued liabilities                      | Amortized cost        |
| Accrued and payroll liabilities                               | Amortized cost        |
| Due to related parties  | Amortized cost        |
| Loans   | Amortized cost        |
| Lease liabilities   | Amortized cost        |
| Convertible debentures debt liability                         | Amortized cost        |
| Convertible debentures warrant liability                      | FVTPL                 |
| Convertible debentures conversion option derivative liability | FVTPL                 |

**Measurement**

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

*Equity instruments designated as FVTOCI*

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument. The Group does not currently hold any equity instruments designated as FVTOCI.

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*Convertible debentures warrant liability as FVTPL*

Convertible debentures warrant liability carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the warrant liability carried at FVTPL are included in profit or loss in the period in which they arise.

*Convertible debentures conversion option derivative liability as FVTPL*

Convertible debentures conversion option derivative liability carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the conversion option derivative liability carried at FVTPL are included in profit or loss in the period in which they arise.

*Impairment of financial assets at amortized cost*

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Group measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit loss.

The Group shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**Derecognition**

*Financial assets*

The Group derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

*Financial liabilities*

The Group derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**Offsetting of financial instruments**

Financial assets and liabilities are offset, and the net amount presented in the consolidated statement of financial position only where the Group has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

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#### **Share capital**

Share capital represents the amount received in exchange for the issuance of shares. Shares issued for consideration other than cash are recorded at their fair value according to quoted market price on the day the shares are issued.

#### **Share issuance costs**

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as equity. Share issuance costs related to uncompleted share subscriptions are charged to operations.

#### **Segmented information**

Management assesses its business operations on a regular basis for the geographic areas it operates in. Management has determined that it operates as a single operating division.

#### **Accounting standards issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the Group's December 31, 2022 consolidated financial statements. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these consolidated financial statements.

The standards issued, but not yet effective, are described below:

- Amendments to IAS 1 and Practice Statement 2 - Disclosure of Accounting Policies: this amendment applicable for reporting periods beginning on or after January 1, 2023 makes minor changes to the references to accounting policies, such that disclosures should be of material accounting policies rather than significant accounting policies and further clarifies what an accounting estimate is. Specifically, it amends:
  - a) IFRS 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
  - b) IAS 1, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
  - c) IAS 34, to identify material accounting policy information as a component of a complete set of financial statements rather than significant accounting policies; and
  - d) Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

This amendment is to be applied prospectively.

- Definition of Accounting Estimates: this amends applicable for reporting periods beginning on or after January 1, 2023 for IAS 8, to clarify that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty and also clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

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This amendment is to be applied prospectively.

- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction:** this amendment applicable for reporting periods beginning on or after January 1, 2023, updates IAS 12 *Income Taxes* to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. The amendments clarify that where organisations recognise both an asset and a liability and that gives rise to equal taxable and deductible temporary differences the related deferred tax assets and deferred tax liabilities must both be recognised. This may arise with transactions such as leases and decommissioning, restoration, and similar obligations.

These amendments are to be applied retrospectively to leases and decommissioning liabilities, and prospectively for all other transactions.

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Group's consolidated financial statements.

### **3. Critical accounting estimates, assumptions and judgements**

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management's estimates, assumptions and judgements are based on historical experience and other reasonable factors, including the expectation of future events.

Estimates that could affect the carrying amount of the assets and liabilities in the next financial year, in a material way are outlined below:

#### **Estimating the useful lives of non-financial assets**

Management is required to estimate the useful life of both property and equipment, as well as intangible assets and rights-of-use, and analyze them based on factors including, but not limited to, the expected use of the asset. A change in the useful life of either property, plant and equipment, rights-of-use or intangible asset can result in an increase or decrease in the annual depreciation or amortization of the asset.

#### **Impairment assessment of intangible assets**

Management has conducted an impairment assessment as of December 31, 2022 of its intangible asset if events or changes in circumstances indicate that the carrying value of a cash generating unit exceeds its fair value. Any impairment charges are determined by comparing the fair value of the cash generating unit to its carrying value. The recoverable amount of a cash generating unit is determined by management based on discounted cash flow projections. Management's cash flow projections for the cash generating unit included significant judgements and assumptions relating to a transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets.

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**Fair value of derivative financial instruments and warrants**

The estimated fair value of derivative financial instruments and warrants is determined based on an appropriate valuation model. Fair values are calculated using assumptions including, timing of future cash flows, discount rates, market price of the Group's shares and future events that may be out of the Group's control. The management estimated the fair value of shares and warrants as a consideration paid for the Reverse Take-Over (RTO).

The fair value of the conversion option derivative liability was calculated as the difference between the fair value of the convertible debentures with the conversion option and the fair value of the convertible debentures without the conversion option. The fair value of the conversion option derivative liability will be calculated each period end with the difference being recognized in the statement of loss and comprehensive loss.

The fair value of the warrant liability was calculated based on a binomial lattice model. The fair value of the conversion option derivative liability will be calculated each period end with the difference being recognized in the statement of loss and comprehensive loss.

**Leases**

When the Group enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Group determines its incremental borrowing rate to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Group considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

When the Group enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Group considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Group's operations; and any conditionality associated with exercising the option.

**Going concern**

**Group conditions and management plans**

These consolidated financial statements have been prepared assuming that the Group will continue as a going concern and that it will realize its assets and liabilities in the normal course of its operations. As of December 31, 2022, the Group shows total comprehensive losses for USD2,745,947 (2021: USD10,579,238) for which, it maintains accumulated losses of USD11,177,085 (2021: USD9,059,157), total equity (deficiency) of USD12,495,945 (2021: US\$9,749,998) and negative working capital of USD14,549,056 (2021: USD12,299,243).

The Group's ability to achieve its future business plans and objectives depends on the growth in the marketplace.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

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Management maintains future projections which include the growth of its services by attracting customers through listing on the stock market and offering turnkey solutions to worldwide vertical farming projects.

The TheraCann Group remains as a worldwide distributor of Sprout AI Technology expanding and maintaining future agreements and projects including sales to existing and new customers. Of the established agreements the following can be mentioned:

- Managed Service Agreements (MSAs)
- Consulting Services Agreements (CSA's)
- Fresh produce purchase orders

Sales opportunities include the design, management and production of indoor crops using Sprout AI technology. It is anticipated that a minimum of 2 of these opportunities will involve into a technology development and distribution within the next 12 – 18 months, which will then include Sprout AI technology.

Management has applied judgment in the assessment of the Group's ability to continue as a going concern when preparing its consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability and potential sources of replacement financing (see Note 1).

#### **4. Cash**

Cash is detailed as follows:

|               | <b>2022</b>  | <b>2021 (Unaudited)</b> |
|---------------|--------------|-------------------------|
| Petty cash    | <b>112</b>   | 1,439                   |
| Cash at banks | <b>2,733</b> | 738,412                 |
|               | <b>2,845</b> | 739,851                 |

**TheraCann International Benchmark Corporation and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

**5. Accounts receivable and other**

Accounts receivable and other is detailed as a follows:

|                                       | <b>2022</b>      | <b>2021 (Unaudited)</b> |
|---------------------------------------|------------------|-------------------------|
| Accounts receivable - trade           | <b>30,527</b>    | 1,131                   |
| Insurance claim receivable            | <b>0</b>         | 39,603                  |
| Accounts receivable - employees       | <b>0</b>         | 1,058                   |
| Other receivables                     | <b>0</b>         | 3,452                   |
|                                       | <b>30,527</b>    | 45,244                  |
| Provision for expected credit loss    | <b>(28,899)</b>  | 0                       |
|                                       | <b>1,628</b>     | 45,244                  |
| Accounts receivable - related parties | <b>186,376</b>   | 220,357                 |
| Accounts receivable – officers        | <b>2,000</b>     | 2,212                   |
| Accounts receivable – shareholders    | <b>41,299</b>    | 49,429                  |
|                                       | <b>229,675</b>   | 271,998                 |
| Provision for expected credit loss    | <b>(186,376)</b> | (178,369)               |
|                                       | <b>43,299</b>    | 93,629                  |
| <b>Total</b>                          | <b>44,927</b>    | 138,873                 |

|  | <b>2022</b>      | <b>2021 (Unaudited)</b> |
|--|------------------|-------------------------|
| Accounts receivable - customers, employees and other | <b>30,527</b>    | 45,244                  |
| Accounts receivable - related parties                | <b>229,675</b>   | 271,998                 |
|  | <b>260,202</b>   | 317,242                 |
| Allowance for expected credit losses                 | <b>(215,275)</b> | (178,369)               |
|  | <b>44,927</b>    | 138,873                 |

|  | <b>Trade</b>    | <b>Insurance Claim</b> | <b>Officers</b> | <b>Other receivables</b> | <b>Shareholders</b> | <b>Related Parties</b> | <b>Total</b>     |
|--|-----------------|------------------------|-----------------|--------------------------|---------------------|------------------------|------------------|
| Balance as of December 31, 2021        | 1,131           | 39,603                 | 2,212           | 4,510                    | 49,429              | 41,988                 | 138,873          |
| Changes during the period              | <b>29,396</b>   | <b>(39,603)</b>        | <b>(212)</b>    | <b>(4,510)</b>           | <b>(8,130)</b>      | <b>144,388</b>         | <b>121,329</b>   |
| Provision for expected credit loss     | <b>(28,899)</b> | <b>0</b>               | <b>0</b>        | <b>0</b>                 | <b>0</b>            | <b>(186,376)</b>       | <b>(215,275)</b> |
| <b>Balance as of December 31, 2022</b> | <b>1,628</b>    | <b>0</b>               | <b>2,000</b>    | <b>0</b>                 | <b>41,299</b>       | <b>0</b>               | <b>44,927</b>    |

|  | <b>Trade</b> | <b>Insurance Claim</b> | <b>Officers</b> | <b>Other receivables</b> | <b>Shareholders</b> | <b>Related Parties</b> | <b>Total</b>   |
|--|--------------|------------------------|-----------------|--------------------------|---------------------|------------------------|----------------|
| Balance as of December 31, 2020        | 570,306      | 0                      | 87              | 8,654                    | 32,835              | 220,357                | 832,239        |
| Changes during the period              | (569,175)    | 39,603                 | 2,125           | (4,144)                  | 16,594              | 0                      | (514,997)      |
| Provision for expected credit loss     | 0            | 0                      | 0               | 0                        | 0                   | (178,369)              | (178,369)      |
| <b>Balance as of December 31, 2021</b> | <b>1,131</b> | <b>39,603</b>          | <b>2,212</b>    | <b>4,510</b>             | <b>49,429</b>       | <b>41,988</b>          | <b>138,873</b> |

**TheraCann International Benchmark Corporation and Subsidiaries**

**Notes to the Consolidated Financial Statements**

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**(Expressed In United States Dollars)**

For the period ending December 31, 2022, the company applies the simplified approach of IFRS 9 to measure expected credit losses, using a lifetime expected credit losses collectively, trade receivables are grouped based on similar age and credit risk.

The terms and conditions associated with the trade accounts is due on receipt, for the related parties is 30 days and for officer's collections on demand.

As of December 31, 2022, the lifetime expected credit loss allowance for trade receivables is USD215,275 (2021: USD178,369).

Set out below is the movement in the provision for expected credit losses of trade receivables:

|                                      | <b>2022</b>    | <b>2021<br/>(Unaudited)</b> |
|--------------------------------------|----------------|-----------------------------|
| As at beginning of the period        | <b>178,369</b> | 178,369                     |
| Provision for expected credit losses | <b>37,845</b>  | 0                           |
| Write-off                            | <b>(939)</b>   | 0                           |
| As at ending of the period           | <b>215,275</b> | 178,369                     |

The following Expected Credit Loss percentages are established as follows:

| Type                 | Exposure at default | Uncollectibility percentage | Exposure at loss given default | Provision      |
|----------------------|---------------------|-----------------------------|--------------------------------|----------------|
| <b>2022</b>          |                     |                             |                                |                |
| Not Due 0 to 30 days | 0                   | 0.00%                       | 100.00%                        | 0              |
| 31 to 60 days        | 0                   | 0.00%                       | 100.00%                        | 0              |
| 61 to 90 days        | 0                   | 0.00%                       | 100.00%                        | 0              |
| 91 to 180 days       | 0                   | 0.00%                       | 100.00%                        | 0              |
| More than 181 days   | 216,903             | 99.25%                      | 100.00%                        | 215,275        |
| <b>Totals</b>        |                     |                             |                                | <b>215,275</b> |

| Type                 | Exposure at default | Uncollectibility percentage | Exposure at loss given default | Provision      |
|----------------------|---------------------|-----------------------------|--------------------------------|----------------|
| <b>2021</b>          |                     |                             |                                |                |
| Not Due 0 to 30 days | 0                   | 0.00%                       | 100.00%                        | 0              |
| 31 to 60 days        | 0                   | 0.00%                       | 100.00%                        | 0              |
| 61 to 90 days        | 0                   | 0.00%                       | 100.00%                        | 0              |
| 91 to 180 days       | 0                   | 0.00%                       | 100.00%                        | 0              |
| More than 181 days   | 178,369             | 100.00%                     | 100.00%                        | 178,369        |
| <b>Totals</b>        |                     |                             |                                | <b>178,369</b> |

**TheraCann International Benchmark Corporation and Subsidiaries**  
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**2022**

| <b>Geographic concentration:</b> | <b>Sector balance</b> | <b>Loss provision</b> | <b>Accounts receivable, net</b> |
|----------------------------------|-----------------------|-----------------------|---------------------------------|
| Canada                           | 47,483                | (6,624)               | 40,859                          |
| USA                              | 178,369               | (178,369)             | 0                               |
| Panama                           | 10,007                | (8,007)               | 2,000                           |
| Australia                        | 8,653                 | (6,585)               | 2,068                           |
| South Africa                     | 15,690                | (15,690)              | 0                               |
|                                  | 260,202               | (215,275)             | 44,927                          |

**2021**

| <b>Geographic concentration:</b> | <b>Sector balance</b> | <b>Loss provision</b> | <b>Accounts receivable, net</b> |
|----------------------------------|-----------------------|-----------------------|---------------------------------|
| Canada                           | 49,429                | 0                     | 49,429                          |
| USA                              | 178,369               | (178,369)             | 0                               |
| Panama                           | 88,313                | 0                     | 88,313                          |
| Australia                        | 1,131                 | 0                     | 1,131                           |
| South Africa                     | 0                     | 0                     | 0                               |
|                                  | 317,242               | (178,369)             | 138,873                         |

**6. Prepaid expenses**

Prepaid expenses represent payments made in advance for goods or services that will be received in the future, aiming to recognize costs appropriately in the corresponding period. As of December 2022, the prepaid expenses amount USD207,488 (2021:828,628).

|  | <b>2022</b> | <b>2021 (Unaudited)</b> |
|--|-------------|-------------------------|
| Stock exchange annual fees                   | 0           | 13,084                  |
| Deposits on materials purchases and services | 188,627     | 672,719                 |
| Prepayment of marketing services             | 1,312       | 142,825                 |
| Retain for legal services                    | 17,549      | 0                       |
|  | 207,488     | 828,628                 |

**7. Inventories**

The Group inventory consists of materials inventory. Materials consumed in production of the habitat units are transferred to work-in-progress and then to finished goods upon completion of production.

|                  | <b>2022</b> | <b>2021 (Unaudited)</b> |
|------------------|-------------|-------------------------|
| Raw materials    | 23,692      | 163,237                 |
| Work-in-progress | 0           | 4,216                   |
| Finished product | 7,374       | 0                       |
|                  | 31,066      | 167,453                 |

**TheraCann International Benchmark Corporation and Subsidiaries**  
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**8. Investment**

Investment is detailed as follows:

|                    | <b>2022</b> | <b>2021 (Unaudited)</b> |
|--------------------|-------------|-------------------------|
| Foreign investment | <b>0</b>    | 100,000                 |
|                    | <b>0</b>    | 100,000                 |

As of December 31, 2022, the Group recognized an impairment loss in the fair value of the foreign investment for USD\$100,000 (2021:0).

**9. Right-of-use assets**

Right-of-use assets are as follows:

| <b>Cost</b>                            | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
|--|------------------|------------------|------------------|
| Balance as at December 31, 2020        | 1,071,410        | 0                | 1,071,410        |
| Additions                              | 0                | 9,042            | 9,042            |
| Balance as at December 31, 2021        | 1,071,410        | 9,042            | 1,080,452        |
| <b>Adjustments</b>                     | <b>9,700</b>     | <b>0</b>         | <b>9,700</b>     |
| <b>Balance as at December 31, 2022</b> | <b>1,081,110</b> | <b>9,042</b>     | <b>1,090,152</b> |
| <b>Accumulated depreciation</b>        | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
| Balance as at December 31, 2020        | 321,813          | 0                | 321,813          |
| Amortization                           | 243,112          | 1,005            | 244,117          |
| Balance as at December 31, 2021        | 564,925          | 1,005            | 565,930          |
| <b>Amortization</b>                    | <b>243,112</b>   | <b>3,015</b>     | <b>246,127</b>   |
| <b>Balance as at December 31, 2022</b> | <b>808,037</b>   | <b>4,020</b>     | <b>812,057</b>   |
| <b>Net book value</b>                  | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
| Balance as at December 31, 2021        | 506,484          | 8,038            | 514,522          |
| <b>Balance as at December 31, 2022</b> | <b>273,073</b>   | <b>5,022</b>     | <b>278,095</b>   |

TheraCann's building is located in Panama Pacifico, Panama and it is comprised of both a two-level open office concept as well as a warehouse designed for large-scale manufacturer, quality assurance, packaging, and shipping of Sprout AI directly to the Panama Canal. The total building occupies 37,500 sq. ft (3,500 sq.m.).

Management regularly assesses the right-of-use asset for impairment indicators and has determined that no impairment is required for the year ended December 31, 2022 (2021 - \$Nil).



**TheraCann International Benchmark Corporation and Subsidiaries**  
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**10. Property and equipment**

Furniture, equipment and leasehold improvements are as follows:

| <b>Cost</b>                            | <b>Furniture and Equipment</b> | <b>Leasehold improvements</b> | <b>Total</b>    |
|--|--------------------------------|-------------------------------|-----------------|
| Balance as at December 31, 2020        | 753,090                        | 0                             | 753,090         |
| Additions                              | 198,085                        | 2,044                         | 200,129         |
| Disposals                              | (78,312)                       | 0                             | (78,312)        |
| Balance as at December 31, 2021        | 872,863                        | 2,044                         | 874,907         |
| <b>Additions</b>                       | <b>14,890</b>                  | <b>0</b>                      | <b>14,890</b>   |
| <b>Disposals</b>                       | <b>(80,169)</b>                | <b>0</b>                      | <b>(80,169)</b> |
| <b>Balance as at December 31, 2022</b> | <b>807,584</b>                 | <b>2,044</b>                  | <b>809,628</b>  |

| <b>Accumulated depreciation</b>        | <b>Furniture and Equipment</b> | <b>Leasehold improvements</b> | <b>Total</b>    |
|--|--------------------------------|-------------------------------|-----------------|
| Balance as at December 31, 2020        | 291,073                        | 0                             | 291,073         |
| Depreciation                           | 184,484                        | 114                           | 184,598         |
| Disposals                              | (38,709)                       | 0                             | (38,709)        |
| Balance as at December 31, 2021        | 436,848                        | 114                           | 436,962         |
| <b>Depreciation</b>                    | <b>176,878</b>                 | <b>341</b>                    | <b>177,219</b>  |
| <b>Disposals</b>                       | <b>(57,730)</b>                | <b>0</b>                      | <b>(57,730)</b> |
| <b>Balance as at December 31, 2022</b> | <b>555,996</b>                 | <b>455</b>                    | <b>556,451</b>  |

| <b>Net book value</b>    | <b>Furniture and Equipment</b> | <b>Leasehold improvements</b> | <b>Total</b>   |
|--------------------------|--------------------------------|-------------------------------|----------------|
| December 31, 2021        | 436,015                        | 1,930                         | 437,945        |
| <b>December 31, 2022</b> | <b>251,588</b>                 | <b>1,589</b>                  | <b>253,177</b> |

Management regularly assesses the property and equipment for impairment indicators and has determined that no impairment is required for the year ended December 31, 2022 (2021: \$Nil).

**TheraCann International Benchmark Corporation and Subsidiaries**  
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**11. Intangible assets**

Patent, trademarks, license, and product development are as follows:

| <b>Cost</b>                            | <b>Patent</b> | <b>Trademarks</b> | <b>License</b>   | <b>Product Development</b> | <b>Total</b>     |
|--|---------------|-------------------|------------------|----------------------------|------------------|
| Balance as at December 31, 2020        | 0             | 0                 | 1,000,000        | 1,280,000                  | 2,280,000        |
| Additions                              | 5,000         | 68,443            | 0                | 171,586                    | 245,029          |
| Balance as at December 31, 2021        | 5,000         | 68,443            | 1,000,000        | 1,451,586                  | 2,525,029        |
| Additions                              | 270           | 43,531            | 0                | 286,176                    | 329,977          |
| <b>Balance as at December 31, 2022</b> | <b>5,270</b>  | <b>111,974</b>    | <b>1,000,000</b> | <b>1,737,762</b>           | <b>2,855,006</b> |

| <b>Accumulated amortization</b>        | <b>Patent</b> | <b>Trademarks</b> | <b>License</b> | <b>Product Development</b> | <b>Total</b>   |
|--|---------------|-------------------|----------------|----------------------------|----------------|
| Balance as at December 31, 2020        | 0             | 0                 | 533,333        | 0                          | 533,333        |
| Amortization                           | 0             | 0                 | 228,000        | 0                          | 228,000        |
| Adjustments                            | 0             | 0                 | (144,667)      | 0                          | (144,667)      |
| Balance as at December 31, 2021        | 0             | 0                 | 616,666        | 0                          | 616,666        |
| <b>Amortization</b>                    | <b>0</b>      | <b>0</b>          | <b>200,000</b> | <b>0</b>                   | <b>200,000</b> |
| <b>Balance as at December 31, 2022</b> | <b>0</b>      | <b>0</b>          | <b>816,666</b> | <b>0</b>                   | <b>816,666</b> |

| <b>Net book value</b>    |              |                |                |                  |                  |
|--------------------------|--------------|----------------|----------------|------------------|------------------|
| December 31, 2021        | 5,000        | 68,443         | 383,334        | 1,451,586        | 1,908,363        |
| <b>December 31, 2022</b> | <b>5,270</b> | <b>111,974</b> | <b>183,334</b> | <b>1,737,762</b> | <b>2,038,340</b> |

Development costs consist of the costs of developing a prototype for its Sprout AI habitat and ETCH BioTrace exclusivity license agreement. As at December 31, 2022 and 2021, intangible assets are not available for use.

Management regularly assesses intangible assets for impairment indicators and has determined that no impairment is required for the year ended December 31, 2022 (2021 - \$Nil).

**12. Accounts payable and other**

Accounts payable and other are as follows:

|  | <b>2022</b>      | <b>2021 (Unaudited)</b> |
|--|------------------|-------------------------|
| Trade accounts payable and other liabilities | <b>1,332,823</b> | 1,481,860               |
| Accrued expenses                             | <b>71,455</b>    | 170,512                 |
| Government remittances payable               | <b>5,993</b>     | 6,002                   |
|  | <b>1,410,271</b> | 1,658,374               |
| Due to related parties (Director)            | <b>142,226</b>   | 161,188                 |
|  | <b>1,552,497</b> | 1,819,562               |

**TheraCann International Benchmark Corporation and Subsidiaries**

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**(Expressed In United States Dollars)**

**13. Customer advances**

The customer advances which are funds paid by customers in advance for delivery of Sprout AI Habitat Systems based on the sales agreements. All deposits are non-refundable. There are no external restrictions on the use of these deposits.

|                                      | <b>2022</b>        | <b>2021 (Unaudited)</b> |
|--------------------------------------|--------------------|-------------------------|
| Balance - Beginning of period        | <b>1,656,540</b>   | 0                       |
| Deposits during the year             | <b>507,390</b>     | 1,656,540               |
| Revenue recognized during the period | <b>(1,278,915)</b> | 0                       |
| <b>Balance - End of period</b>       | <b>885,015</b>     | 1,656,540               |

On June 15<sup>th</sup>, 2021, the Group entered into a project management agreement with its client, IMAH, pertaining to the management of the project named "Ivory Medical." This arrangement encompasses the provision of the equipment and instruments required to meet the client's production processes.

On April 30, 2021, the Group received first deposit for the purchase of Habitats Sprout AI, and other components. In total the company has received as of December 31, 2022, the amount of USD 1,050,000 for this sale.

On May 5, 2021, the Group received the initial payment from its client, IMAH, for the supply of equipment required for their ExtraKlab laboratory. As of December 31, 2021 the group received for this project, a total of USD 598,200.

During the year 2021 the Group received USD 8,340 from minor project customers in concept of management services.

On March 14, 2022, the Group received payment from its client, IMAH, for the supply of equipment required for their ExtraKlab laboratory. For this project, the company received a total of USD 75,444.

On April 6, 2022, the Group received a payment of USD 50,000 upon the signing of the project management contract with its client, Twin Berry.

On June 16, 2022, the Group received the last deposit for the purchase of Habitats Sprout AI, and other components, for the amount of USD 381,946.

During the year 2022, the Group formally delivered components and services to its client for the "Ivory Medical" and "ExtraKlab" projects, with a combined value of USD 1,278,915.

## **TheraCann International Benchmark Corporation and Subsidiaries**

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#### **14. Loans**

##### **Canada Emergency Business Account ("CEBA") Loan**

During 2020, through its Canadian subsidiaries TheraCann Canada Benchmark Corporation and TheraCann Canada Inc. the Canadian subsidiaries received interest free loans of CAD \$40,000 each through the Canada Emergency Business Account (CEBA). As of December 31, 2022, the CEBA loans balance of USD47,075 (2021: USD63,102). Effective January 1, 2024, any outstanding balance on the term loans shall bear interest at a rate of 6% per annum. The term loans mature on December 31, 2026. Repaying the balance of the loan on or before January 18, 2024, will result in loan forgiveness of CAD \$10,000 for each loan.

The Canadian Subsidiaries (TheraCann Canada Benchmark Corporation and TheraCann Canada Inc.) has discounted the Canada Emergency Business Account ("CEBA") loans using the effective interest method at a discount rate of 6% per annum over a repayment period of six years and 7 months. Upon recognition, USD12,483 was recognized as the fair value adjustment on the loan's payables.

The following table sets out the maturity analysis of loan payments, showing the undiscounted principal payments to be made as at December 31, 2022:

|                       |               |
|-----------------------|---------------|
| 2023                  | 0             |
| 2024                  | 60,000        |
| <b>Total payments</b> | <b>60,000</b> |

##### **Promissory Notes**

On November 1, 2019, TheraCann Canada Inc. a subsidiary of the Group signed two 10 years Promissory Note agreements with Shawn Halter and Robert Bolton for CAD \$10,000 and CAD \$20,000 respectively. Both Shawn Halter and Robert Bolton are directors of the Group and are considered related parties. The notes bear interest of 8% payable annually.

On November 28, 2019, TheraCann Canada Inc. a subsidiary of the Group signed a 10 years Promissory Note agreement with Julie-Anne Bolton, a related party, for CAD \$13,000. The note bear interest of 8% payable annually.

The Subsidiary has discounted the promissory notes using the effective interest method at a discount rate of 8% per annum over a repayment period of ten years. Upon recognition, \$7,920 was recognized as the fair value adjustment on the promissory notes.

| <b>Shareholder</b> | <b>Maturity</b> | <b>Rate</b> | <b>2022</b>   | <b>2021 (Unaudited)</b> |
|--------------------|-----------------|-------------|---------------|-------------------------|
| Julie-Anne Bolton  | 29-Nov-29       | 8.00%       | <b>6,863</b>  | 8,524                   |
| Robert Bolton      | 02-Nov-29       | 8.00%       | <b>10,523</b> | 15,775                  |
| Shawn Halter       | 02-Nov-29       | 8.00%       | <b>8,068</b>  | 11,021                  |
| Christopher Bolton | On demand       | 0.00%       | <b>0</b>      | 3,657                   |
|                    |                 |             | <b>25,454</b> | 38,977                  |

## TheraCann International Benchmark Corporation and Subsidiaries

### Notes to the Consolidated Financial Statements

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#### Loan Agreement

In March 2022, the Sprout AI Inc. a Subsidiary of the Group entered into a Loan Agreement with Mr. Shawn Halter, whereby the Subsidiary borrowed USD520,000 at a rate of 6% to be repaid over a three-year period. The Loan Agreement was amended in April 2022 to reflect updated terms for repayment. The loan will be repaid starting on August 31, 2023 and over a period of three years with equal monthly installments of USD16,000, with one USD80,000 payment in December 2024. The loan will be extinguished in full in June 2026.

The Subsidiary has discounted the loan using the effective interest method at a discount rate of 6% per annum over a repayment period of three years. Upon recognition, USD42,272 was recognized as the fair value adjustment on the loan payable. Fair value adjustment on loan payable represents the difference between the loan proceeds received in March 2022 and the time value of money of the future repayments discounted at an inputted interest rate of 6% per annum.

|  |                |
|--|----------------|
| Balance as at December 31, 2021        | 0              |
| Proceeds received during the period    | 520,000        |
| Adjustment to present value            | (42,272)       |
| Interest expense                       | 24,431         |
| <b>Balance as at December 31, 2022</b> | <b>502,159</b> |
| Current portion                        | 50,236         |
| Long-term portion                      | 451,923        |
|  | <b>502,159</b> |

The following table sets out the maturity analysis of loan payments, showing the undiscounted principal payments to be made as at December 31, 2022:

|                       |                |
|-----------------------|----------------|
| 2023                  | 68,077         |
| 2024                  | 239,416        |
| 2025                  | 189,961        |
| 2026                  | 37,569         |
| 2027                  | 5,861          |
| 2028                  | 6,347          |
| 2029                  | 5,831          |
| <b>Total payments</b> | <b>553,062</b> |

Set out below is the total movement of the loans:

|  | 2022           | 2021 (Unaudited)        |
|--|----------------|-------------------------|
| <b>Balance as at beginning of the period</b> | <b>102,079</b> | 420,154                 |
| Proceeds received during the period          | 520,000        | 0                       |
| Adjustment to present value                  | (62,675)       | 0                       |
| Repayments of loans to shareholders          | (9,148)        | (318,075)               |
| Interest expense                             | 24,431         | 0                       |
| <b>Balance as at ending of the period</b>    | <b>574,687</b> | 102,079                 |
|  | <b>2022</b>    | <b>2021 (Unaudited)</b> |
| Current portion                              | 50,236         | 0                       |
| Long-term portion                            | 524,451        | 102,079                 |
|  | <b>574,687</b> | 102,079                 |

**TheraCann International Benchmark Corporation and Subsidiaries**

**Notes to the Consolidated Financial Statements**

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**(Expressed In United States Dollars)**

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**15. Convertible debentures**

**Series A, B and C**

Through a series of closings in March 2018, May 2018, and July 2018, the Parent Company (TIBC) closed a brokered private placement issuance of 377 unsecured convertible debentures ("convertible debentures") with a face value of CAD\$10,000 per debenture for gross proceeds of CAD\$3,770,000. The convertible debentures mature 24 months from closing and bear interest at a rate of 8% per annum. The convertible debentures are convertible at any time one year after issue date at the holder's option into common shares of the Parent Company at CAD\$7.50 per common share.

Upon a liquidity event (means the listing of the common shares on a stock exchange; the sale of all or substantially all of the issued and outstanding common shares or all or substantially all of the assets of the Borrower for cash proceeds or for such securities provided that such securities are listed and posted for trading in a stock exchange; or the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving the Borrower with or into another entity pursuant to which the common shares of the resulting issuer are listed on a stock exchange), the convertible debentures automatically convert into common shares of the Parent Company at a 25% discount to the liquidity event price per common share. Should the term of the convertible debentures reach maturity, interest shall be payable in cash or common shares, at the conversion price, at the option of the holder. If the convertible debentures convert at anytime prior to maturity, interest is payable in common shares at the conversion price.

One director received 2,000 common share purchase warrants for each convertible debenture resulting in the issuance 10,000 common share purchase warrants. Each warrant can be exercised into a common share from the date of grant to the earlier of; (a) 24 months from date of grant; and (b) 12 months following any liquidity event (the "Expiry Date"). The warrants are exercisable anytime prior to the Expiry Date at CAD\$7.50 per share or, upon a liquidity event, the warrants are exercisable at a 25% discount to the liquidity event price per common share.

**Employee and advisor issuance**

On February 22, 2019, the Parent Company closed a private placement issuance to employees and advisors of the Parent Company of 306 convertible debentures with a face value of CAD\$1,000 per debenture for gross proceeds of CAD\$306,000. The convertible debentures mature 24 months from closing and are non-interest bearing. The convertible debentures are convertible at any time at the holder's option into common shares of the Parent Company at CAD\$5.00 per common share. Upon a liquidity event, the convertible debentures automatically convert into common shares of the Parent Company at a 50% discount to the liquidity event price per common share.

On July 11, 2019, the Parent Company closed a private placement issuance to employees and advisors of the Parent Company of 153 convertible debentures with a face value of CAD\$1,000 per debenture for gross proceeds of CAD\$153,000. The convertible debentures mature 24 months from closing and are non-interest bearing. The convertible debentures are convertible at any time at the holder's option into common shares of the Parent Company at CAD\$5.00 per common share. Upon a liquidity event, the convertible debentures automatically convert into common shares of the Parent Company at a 50% discount to the liquidity event price per common share.

**TheraCann International Benchmark Corporation and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

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**Bridge Round**

On April 24 and July 7, 2019, the Parent Company closed a private placement issuance of 2,635 convertible debentures with a face value of CAD1,000 per debenture for gross proceeds of CAD2,365,000. The convertible debentures mature 24 months from closing and bear interest at a rate of 8% per annum. The convertible debentures are convertible at any time one year after issue date at the holder's option into common shares of the Parent Company at CAD\$7.00 per common share. Upon a liquidity event, the convertible debentures automatically convert into common shares of the Parent Company with the lesser of a 20% discount to the liquidity event price per common share or the value that would be attributed to each outstanding common share if the enterprise value of the corporation at the time of liquidity event was calculated as USD60,000,000.

**Summary of Warrant Terms (Debenture Holder Warrants)**

The Parent Company provides its holders with stand-alone transferrable warrants (Series A, B, C) as additional compensation for their investment. Each warrant entitles the warrant holder to purchase 1 common share of the Parent Company on the earlier of (i) 2 years from issuance; and (ii) 1 year after the Liquidity Event. Based on the representations made, the terms for each series A, B and C of issuances were identical with the exception of the issuance and maturity dates.

The Notes provide their holders with stand-alone transferrable warrants ((Bridge-Round 1 and 2) as additional compensation for their investment. Each warrant entitles the warrant holder to purchase 1 common share of the Parent Company on the earlier of (i) 2 years from issuance; and (ii) 18 months after the Liquidity Event.

**Summary of Warrant Terms (Broker Warrants)**

In addition to the warrants awarded to the holders, The Parent Company also issued 15,000 warrants to agents for supporting the issuances of the Notes. The terms and conditions of the Broker Warrants are the same as those of the Holder Warrants. Conversion rights are subject to adjustment if the Parent Company subdivides, re-divides or changes its outstanding common shares. If any such changes are implemented which result in the dilution or concentration of shares, the conversion price will be adjusted accordingly.

The convertible debentures are a compound financial instrument which includes a debt liability component and conversion option derivative liability. The debt liability component has been classified as a financial liability at amortized cost. The debt liability component represents the present value of the principal payments over the life of the financial instrument discounted at an approximate rate available to the Parent Company for similar debt without a conversion feature at the date the convertible debentures were issued.

The conversion option derivative liability has been classified as a financial liability held at fair value through profit of loss. The fair value of the conversion option derivative liability was calculated as the difference between the fair value of the convertible debentures with the conversion option and the fair value of the convertible debentures without the conversion option. The fair value of the conversion option derivative liability will be calculated each period end with the difference being recognized in the statement of loss and comprehensive loss.

The Debentures Holders and the Parent Company have agreed to amend the convertible debentures to extend the Conversion Deadline and the Maturity Date of July 31, 2023.

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|                               | Seria A        | Seria B          | Seria C          | Director      | Bridge-Round     | Employee       | Total             |
|-------------------------------|----------------|------------------|------------------|---------------|------------------|----------------|-------------------|
| Issuance date                 | 3/29/2018      | 5/3/2018         | 7/31/2018        | 10/25/2018    | 7/11/2019        | 2/22/2019      | N/A               |
| Issued #                      | 35             | 230              | 112              | 5             | 2365             | 459            | 3,206             |
| Gross Amount (CAD)            | 350,000        | 2,300,000        | 1,120,000        | 50,000        | 2,365,000        | 459,300        | 6,644,300         |
| Gross Amount (USD)            | 271,460        | 1,783,420        | 860,384          | 38,750        | 1,897,676        | 361,699        | 5,213,389         |
| Interest rate                 | 8%             | 8%               | 8%               | 8%            | 8%               | 0%             | N/A               |
| Original Term                 | 24             | 24               | 24               | 24            | 24               | 24             | N/A               |
| Extension term                | 24             | 24               | 24               | 24            | 24               | 24             | N/A               |
| Fair value at issuance (USD)  |                |                  |                  |               |                  |                |                   |
| Debt liability                | 267,108        | 1,755,422        | 860,920          | 38,162        | 1,805,031        | 334,483        | 5,061,126         |
| Conversion option liability   | 128,496        | 843,283          | 412,199          | 21,104        | 765,132          | 373,377        | 2,543,591         |
| Warrant liability             | 179,241        | 1,177,869        | 573,571          | 25,606        | 554,535          | 0              | 2,510,822         |
| <b>Balance, December 2021</b> | <b>574,845</b> | <b>3,776,574</b> | <b>1,846,690</b> | <b>84,872</b> | <b>3,124,698</b> | <b>707,860</b> | <b>10,115,539</b> |

|                               | Seria A        | Seria B          | Seria C          | Director       | Bridge-Round     | Employee       | Total             |
|-------------------------------|----------------|------------------|------------------|----------------|------------------|----------------|-------------------|
| Issuance date                 | 3/29/2018      | 5/3/2018         | 7/31/2018        | 10/25/2018     | 7/11/2019        | 2/22/2019      | N/A               |
| Issued #                      | 35             | 230              | 112              | 5              | 2365             | 459            | 3,206             |
| Gross Amount (CAD)            | 350,000        | 2,300,000        | 1,120,000        | 50,000         | 2,365,000        | 459,300        | 6,644,300         |
| Gross Amount (USD)            | 257,296        | 1,690,803        | 823,348          | 36,757         | 1,738,587        | 337,646        | 4,884,437         |
| Interest rate                 | 8%             | 8%               | 8%               | 8%             | 8%               | 0%             | N/A               |
| Original Term                 | 24             | 24               | 24               | 24             | 24               | 24             | N/A               |
| Extension term                | 24             | 24               | 24               | 24             | 24               | 24             | N/A               |
| Fair value at issuance (USD)  |                |                  |                  |                |                  |                |                   |
| Debt liability                | 341,871        | 2,246,580        | 1,077,184        | 47,147         | 2,131,354        | 305,345        | 6,149,481         |
| Conversion option liability   | 146,713        | 964,108          | 471,107          | 20,960         | 774,476          | 363,015        | 2,740,379         |
| Warrant liability             | 228,801        | 1,503,549        | 732,163          | 32,685         | 544,600          | 0              | 3,041,798         |
| <b>Balance, December 2022</b> | <b>717,385</b> | <b>4,714,237</b> | <b>2,280,454</b> | <b>100,792</b> | <b>3,450,430</b> | <b>668,360</b> | <b>11,931,658</b> |

|                               | Debt Liability   | Conversion option derivative liability | Warrant liability | Total             |
|-------------------------------|------------------|--|-------------------|-------------------|
| <b>Balance, December 2021</b> | <b>5,061,126</b> | <b>2,543,591</b>                       | <b>2,510,822</b>  | <b>10,115,539</b> |
| Issuance                      | 0                | 0                                      | 0                 | 0                 |
| Allocation transaction cost   | 0                | 0                                      | 0                 | 0                 |
| Accretion                     | 1,529,230        | 0                                      | 0                 | 1,529,230         |
| Change fair value             | 0                | 354,105                                | 705,597           | 1,059,702         |
| Amortization                  | 0                | 0                                      | 0                 | 0                 |
| Foreign exchange effect       | (440,875)        | (157,317)                              | (174,621)         | (772,813)         |
| <b>Balance, December 2022</b> | <b>6,149,481</b> | <b>2,740,379</b>                       | <b>3,041,798</b>  | <b>11,931,658</b> |



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**16. Lease liabilities**

The Group Lease a commercial space and office space located at the International Business Park in Panamá Pacifico. The Group's lease commenced in January 2019. The Group has an option to extend the lease beyond the three-year non-cancellable term for an additional term of three years. The Group has also recognized a lease liability for those leases, which was initially measured at the present value of the future lease payments, discounted using the Group's incremental borrowing rate of 1.3% and 2% for the leased building and office equipment, respectively. Interest expense on the lease liabilities is included in the statements of loss and comprehensive loss.

The following table details the discounted cash flows and contractual maturities of the Group's lease obligations, as at December 31, 2022:

|  | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
|--|------------------|------------------|------------------|
| <b>Balance as at December 31, 2020</b> | 765,361          | 0                | 765,361          |
| Additions during the period            | 0                | 9,042            | 9,042            |
| Interest                               | 86,171           | 56               | 86,227           |
| Lease payments                         | (295,555)        | (1,035)          | (296,590)        |
| <b>Balance as at December 31, 2021</b> | 555,977          | 8,063            | 564,040          |
| Interest                               | <b>5,594</b>     | <b>129</b>       | <b>5,723</b>     |
| Adjustment                             | <b>(31,230)</b>  | <b>0</b>         | <b>(31,230)</b>  |
| Lease payments                         | <b>(250,128)</b> | <b>(3,108)</b>   | <b>(253,236)</b> |
| <b>Balance as at December 31, 2022</b> | <b>280,213</b>   | <b>5,084</b>     | <b>285,297</b>   |
| <b>2022</b>                            |                  |                  |                  |
| Current portion                        | 280,213          | 3,034            | 283,247          |
| Long-term portion                      | 0                | 2,050            | 2,050            |
| <b>Balance as at December 31, 2022</b> | <b>280,213</b>   | <b>5,084</b>     | <b>285,297</b>   |
| <b>2021</b>                            |                  |                  |                  |
| Current portion                        | 241,555          | 2,979            | 244,534          |
| Long-term portion                      | 314,422          | 5,084            | 319,506          |
| <b>Balance as at December 31, 2022</b> | <b>555,977</b>   | <b>8,063</b>     | <b>564,040</b>   |

The following table sets out the maturity analysis of lease payments, showing the discounted lease payments to be made as at December 31, 2022:

|                              |                |
|------------------------------|----------------|
| <b>2022</b>                  |                |
| 2023                         | 285,297        |
| 2024                         | 2,072          |
| Total contractual cash flows | 287,369        |
| Interest                     | (2,072)        |
| <b>Lease liability</b>       | <b>285,297</b> |
| <b>2021 (Unaudited)</b>      |                |
| 2022                         | 285,297        |
| 2023                         | 285,297        |
| 2024                         | 2,072          |
| Total contractual cash flows | 572,666        |
| Interest                     | (8,626)        |
| <b>Lease liability</b>       | <b>564,040</b> |

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**17. Share capital**

Share capital are as follows:

|                                     | <b>Number of common<br/>shares</b> | <b>Share capital<br/>amounts</b> |
|-------------------------------------|------------------------------------|----------------------------------|
| Balance, at December 31, 2020       | 10,000,000                         | 10,000                           |
| Balance, at December 31, 2021       | 10,000,000                         | 10,000                           |
| <b>Balance at December 31, 2022</b> | <b>10,000,000</b>                  | <b>10,000</b>                    |

The Group capital stock is UDS10,000, divided 10,000,000 registered common shares with value of USD0.001, fully paid and paid up.

**18. Capital stock reserve**

During the year ended December 31, 2021, the Group issued 10,000,000 of PB warrants pursuant to RTO with an estimated fair value of \$25,351 using the Black-Scholes option pricing model (notes 1 and 4). The reserve is increased by the fair value on issuance of warrants and is reduced by corresponding amounts when the warrants are exercised.

**19. Revenue**

Revenue from external customers are as follows:

|                              | <b>2022</b>      | <b>2021<br/>(Unaudited)</b> |
|------------------------------|------------------|-----------------------------|
| Sale of products:            |                  |                             |
| Habitats                     | <b>1,279,548</b> | 238,936                     |
| Service revenue:             |                  |                             |
| Consulting services          | <b>625,000</b>   | 0                           |
| Advisory consulting services | <b>94,347</b>    | 0                           |
| Ongoing support services     | <b>42,414</b>    | 71,539                      |
| Managed service revenue      | <b>417</b>       | 1,448                       |
| Sponsorship fund             | <b>25,997</b>    | 0                           |
|                              | <b>788,175</b>   | 72,987                      |
| <b>Total revenues</b>        | <b>2,067,723</b> | 311,923                     |

Revenue from external customers is derived as product revenue earned from end users who purchase our goods through the Group's primary distributors, TheraCann International Benchmark Corporation subsidiaries. Revenue may also be derived from storage of products on behalf of end users if the end user is not able to pay final balances prior to shipment. The Subsidiary Sprout AI, S. A. does not mark up the cost of the Group's goods. The primary distributors receive payments from end user to install, operate, and maintain the Group's goods at the end user location. Freight costs of the Group's goods are paid either by the Group or the end user. The Group recognizes product and storage on a gross basis.

**TheraCann International Benchmark Corporation and Subsidiaries****Notes to the Consolidated Financial Statements****For the year ended December 31, 2022****(Expressed In United States Dollars)**

Products are paid by non-refundable deposits. The percentage of deposit will vary depending on size of order, time to delivery order, and shipping constraints. Typically, orders are paid with a deposit to commence order, and the remaining balance due prior to shipment to the customer's chosen destination. Deferred revenue is recorded for the period of time between when the order is placed and when the order has been shipped to the customer's chosen destination. Storage is to be paid monthly and is due on receipt of invoice.

Other revenues are from management, consulting, and software development services and are recognized in accordance with their respective agreements.

**20. Other comprehensive income (OCI)**

The following table set out the comparison of other comprehensive income (OCI) between the period ended on December 31, 2022 and the December 31, 2021:

| <b>OCI components</b>                         | <b>2022</b>    | <b>2021 (Unaudited)</b> |
|---|----------------|-------------------------|
| Gain/loss from foreign exchange on debentures | <b>174,173</b> | 0                       |
| Gains/loss from foreign currency translation  | <b>25,162</b>  | 2,831                   |
|   | <b>199,335</b> | 2,831                   |

**21. General and administrative expenses**

General and administrative expenses are as follows:

|  | <b>2022</b>      | <b>2021(Unaudited)</b> |
|--|------------------|------------------------|
| Payroll expenses                         | <b>734,120</b>   | 345,209                |
| Professional fees                        | <b>519,421</b>   | 832,626                |
| Office administration and other expenses | <b>171,746</b>   | 651,779                |
| Advertising and promotion                | <b>137,372</b>   | 156,869                |
| Insurance                                | <b>54,819</b>    | 13,694                 |
| Licensing fees                           | <b>511</b>       | 3,283                  |
| Dues and subscriptions                   | <b>32,105</b>    | 49,804                 |
|  | <b>1,650,094</b> | 2,053,264              |

As of December 31, 2022 the total employees are 18 (2021: 11).

**22. Contingencies and commitments**

- a) The Group is committed to minimum annual building rental payments on its premises as following:

|      |                       |
|------|-----------------------|
| 2023 | <b><u>280,213</u></b> |
|------|-----------------------|

- b) The Group is committed to equipment rental payments as following:

|              |                     |
|--------------|---------------------|
| 2024         | 3,034               |
| 2025         | <u>2,050</u>        |
| <b>Total</b> | <b><u>5,084</u></b> |

## TheraCann International Benchmark Corporation and Subsidiaries

### Notes to the Consolidated Financial Statements

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c) The Parent Company has received statements of claim with respect to allegations of wrongful dismissal by certain ex-staff in the amount of USD 318,958. In the opinion of the Parent Company's management, the claims are without merit and any settlement will not have a material impact on the consolidated financial position, operations or consolidated cash flows of the Group. Accordingly, no provision has been recorded in these consolidated financial statements.

### 23. Reverse takeover

On June 1, 2021, Sprout AI, Inc and Sprout AI, S. A. completed a Transaction which constituted an RTO.

The transaction resulted in the shareholder of Sprout AI, Inc. obtaining control of the combined entity by obtaining control of the voting rights, governance, and management decision making process, and the resulting power to govern the financial and operating policies of the combined entities.

In accordance with IFRS 3, the substance of the acquisition is a reverse acquisition as the shareholder of Sprout AI, Inc. holds the majority of the shares of the Company. The acquisition of the Company does not constitute a business combination as the Company does not meet the definition of a business under IFRS 3.

As a result, the acquisition is accounted for in accordance with IFRS 2, with Sprout AI, Inc. being the identified as the acquirer and the net assets of the Company deemed acquired.

The consideration of the transaction is measured at fair value of the shares and warrants of the Company that are outstanding immediately before the Transaction. The excess of consideration over the fair value of net assets acquired has been recorded as a listing expense, consistent with IFRS 3.

The table below summarizes the fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

|   | June 1, 2021     |
|---|------------------|
| Net assets (liabilities) of Sprout AI Inc. acquired:                            |                  |
| Cash  | 1,582,210        |
| Loan receivable   | 548,340          |
| Accounts payable and accrued liabilities  | (26,609)         |
| <b>Net assets acquired</b>  | <b>2,103,941</b> |
|   |                  |
|   | June 1, 2021     |
| Consideration paid on RTO:  |                  |
| Common shares issued and outstanding to the shareholders of Sprout AI, Inc. (i) | 3,953,502        |
| Performance base warrants issued to the shareholder of Sprout AI S.A. (ii)      | 752,552          |
| Special warrants issued and outstanding to the shareholders of Sprout AI, S. A. | 1,661,130        |
| <b>Total consideration paid</b>   | <b>6,367,184</b> |
| Allocation of consideration paid:   |                  |
| Net assets acquired   | 2,103,941        |
| Listing expense   | 4,263,243        |
|   | <b>6,367,184</b> |

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Sprout AI, Inc. did not meet the definition of a business in accordance with IFRS 3. Accordingly, the excess of the consideration paid was not capitalized, but instead recorded as a listing expense in the Consolidated Financial Statements.

As part of the RTO, 100 shares of Sprout AI, S. A. were acquired by Sprout AI, Inc.

i. Based on 28,000,100 of outstanding shares immediately preceding the transaction, valued at \$0.1412 USD (\$0.17 CDN) per share on the non-brokered private placement of special warrants.

ii. Upon completion of the Transaction, the Company will issue 10,000,000 performance-based share purchase warrants.

The PB Warrants have been valued at \$752,552 on June 1, 2021 using Black-Scholes option pricing model. The fair value of the contingent consideration was discounted to its present value reflecting the Company's expectation on meeting revenue targets. The following assumptions were used to value the PB Warrants:

Risk-free interest rate 0.29%

Expected life 3 years

Annualized volatility 100%

Share price \$0.1412 USD (\$0.17 CAD)

Discount rate 16%

The reverse takeover transaction (RTO) in equity are as follows:

Consideration paid on RTO:

|  |                  |
|--|------------------|
| Common shares issued and outstanding to the shareholders of Sprout AI Inc. | 3,953,502        |
| Performance base warrants issued to the shareholder of Sprout AI S.A.      | 752,552          |
| Special warrants issued and outstanding                                    | 1,661,130        |
| Total consideration paid   | <u>6,367,184</u> |

|   |                  |
|---|------------------|
| Common shares issued on closing of private placements | 20,233           |
| Common shares issued on closing of private placements | 364,525          |
| Total reverse takeover transaction (RTO) in equity    | <u>6,751,942</u> |

## **24. Financial instruments and risk management**

The Group's financial instruments consist of cash, accounts receivable and other, due from related parties, accounts payable and accrued liabilities, loan payable and due to related parties.

### **Credit risk and economic dependence**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk on the accounts receivable from its customers and due from related parties. In order to reduce its credit risk, the Group has adopted credit policies which include the analysis of the financial position of its customers and regular review of their credit limits.

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As of December 31, 2022, the Company had USD44,927 (2021: USD138,873) of financial assets carried at amortized cost which were subject to expected credit loss assessment in accordance with IFRS 9.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Group will be able to obtain required financing in the future on acceptable terms. The Group anticipates it will need additional capital in the future to finance ongoing operations, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Group has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to fund its operations, although the Group has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Group in creating revenue, cash flows or earnings. While the Group has been successful in securing parent company loans in the past, there is no assurance that it will be able to do so in the future. All the Group's liabilities, with the exception of the lease liabilities and non-current portion of the long-term debt, are due within the next 12 months.

| Payment Due by Year             | Recognized in Consolidated Financial Statements | Total             | Less than 1 year  | 2-3 years      | 4-5 years     | More than 5 years |
|---------------------------------|---|-------------------|-------------------|----------------|---------------|-------------------|
| Accounts payable and other      | Yes-Liability                                   | 1,552,497         | 1,552,497         | 0              | 0             | 0                 |
| Accrued and payroll liabilities | Yes-Liability                                   | 132,729           | 132,729           | 0              | 0             | 0                 |
| Convertible debentures          | Yes-Liability                                   | 11,931,658        | 11,931,658        | 0              | 0             | 0                 |
| Loans                           | Yes-Liability                                   | 574,687           | 68,077            | 488,571        | 12,208        | 5,831             |
| Minimum lease payments          | Yes-Liability                                   | 285,297           | 283,247           | 2,050          | 0             | 0                 |
| <b>As of December 31, 2022</b>  |   | <b>14,476,868</b> | <b>13,968,208</b> | <b>490,621</b> | <b>12,208</b> | <b>5,831</b>      |

| Payment Due by Year             | Recognized in Consolidated Financial Statements | Total             | Less than 1 year | 2-3 years         | 4-5 years     | More than 5 years |
|---------------------------------|---|-------------------|------------------|-------------------|---------------|-------------------|
| Accounts payable and other      | Yes-Liability                                   | 1,819,562         | 1,819,562        | 0                 | 0             | 0                 |
| Accrued and payroll liabilities | Yes-Liability                                   | 337,873           | 337,873          | 0                 | 0             | 0                 |
| Convertible debentures          | Yes-Liability                                   | 10,115,539        | 0                | 10,115,539        | 0             | 0                 |
| Loans                           | Yes-Liability                                   | 102,079           | 0                | 77,027            | 18,823        | 6,229             |
| Minimum lease payments          | Yes-Liability                                   | 564,040           | 244,534          | 319,506           | 0             | 0                 |
| <b>As of December 31, 2021</b>  |   | <b>12,939,093</b> | <b>2,401,969</b> | <b>10,512,072</b> | <b>18,823</b> | <b>6,229</b>      |

**TheraCann International Benchmark Corporation and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk is the risk is the risk to the Group's earnings that arises from volatility in foreign exchange rates. The Group may have contracts with clients to receive fees in currencies other than its measurement currency. This may have an adverse effect on the value of future revenues and assets dominated in currencies other than the United States Dollars, absent any Group specific event.

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TIBC:

|                        | 2022         | 2021 (Unaudited) |
|------------------------|--------------|------------------|
| Convertible debentures | (16,231,250) | (13,013,687)     |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for SAI:

|                 | 2022    | 2021 (Unaudited) |
|-----------------|---------|------------------|
| Cash            | (227)   | 125,121          |
| Account payable | 613,632 | 340,644          |
| Loans           | 627,394 | 0                |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TCAN and TCI:

|                 | 2022   | 2021 (Unaudited) |
|-----------------|--------|------------------|
| Cash            | 178    | 4,930            |
| Account payable | 60,232 | 101,427          |
| Loans           | 98,232 | 129,415          |

Included in the undernoted accounts are the following South African Rand (ZAR) Balances for TAFR:

|                 | 2022   | 2021 (Unaudited) |
|-----------------|--------|------------------|
| Cash            | 54,073 | 0                |
| Account payable | 31,747 | 0                |

**Interest rate risk**

The Group has deposits in financial institutions. The Group is exposed to reductions in interest rates, which could impact expected current and future returns. As at December 31, 2022, the amount of USD2,845 (2021: USD739,851) was held in deposits with financial institutions.

**December 31, 2022**

|                                    | Floating Rate<br>Financial<br>Instruments | Fixed Rate<br>Financial<br>Instruments | Non-interest<br>bearing | Total      |
|------------------------------------|---|--|-------------------------|------------|
| <b>Financial assets</b>            | 2,845                                     | 0                                      | 10,000                  | 12,845     |
|                                    | 2,845                                     | 0                                      | 10,000                  | 12,845     |
| <b>Financial liabilities</b>       |   |  |                         |            |
| <b>Other financial liabilities</b> | 0   | 12,791,642                             | 885,015                 | 13,676,657 |

**TheraCann International Benchmark Corporation and Subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

December 31, 2021

|                             | Floating Rate<br>Financial<br>Instruments | Fixed Rate<br>Financial<br>Instruments | Non-interest<br>bearing | Total      |
|-----------------------------|---|--|-------------------------|------------|
| Financial assets            | 739,851                                   | 0                                      | 110,000                 | 849,851    |
|                             | 739,851                                   | 0                                      | 110,000                 | 849,851    |
| Financial liabilities       |   |  |                         |            |
| Other financial liabilities | 0   | 10,781,658                             | 1,656,540               | 12,438,198 |

**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest risk or currency risk. The Group is not exposed to any other price risk.

**Fair value measurements of financial assets and liabilities**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value and carrying value of financial assets and liabilities are as follows:

|  | 2022           |            | 2021           |            |
|--|----------------|------------|----------------|------------|
| <u>Financial assets</u>                  | Carrying value | Fair value | Carrying value | Fair value |
| Cash                                     | 2,845          | 2,845      | 739,851        | 739,851    |
| Accounts receivable and other            | 30,527         | 30,527     | 45,244         | 45,244     |
| Due from related parties                 | 229,675        | 229,675    | 271,998        | 271,998    |
| Investment                               | 0              | 0          | 100,000        | 100,000    |
| Other assets                             | 10,000         | 10,000     | 10,000         | 10,000     |
|  | 273,047        | 273,047    | 1,167,093      | 1,167,093  |
|  | 2022           |            | 2021           |            |
| <u>Financial liabilities</u>             | Carrying value | Fair value | Carrying value | Fair value |
| Accounts payable and accrued liabilities | 1,410,271      | 1,410,271  | 1,658,374      | 1,658,374  |
| Accrued and payroll liabilities          | 132,729        | 132,729    | 337,873        | 337,873    |
| Customer advances                        | 885,015        | 885,015    | 1,656,540      | 1,656,540  |
| Due to related parties                   | 142,226        | 142,226    | 161,188        | 161,188    |
| Loans                                    | 574,687        | 574,687    | 102,079        | 102,079    |
| Lease liabilities                        | 285,297        | 285,297    | 564,040        | 564,040    |
| Convertible debentures                   | 11,931,658     | 10,395,678 | 10,115,539     | 10,107,911 |
|  | 15,361,883     | 13,825,903 | 14,595,632     | 14,588,005 |
| Capital stock reserve – broker warrants  | 25,351         | 31,885     | 25,351         | 32,332     |



**TheraCann International Benchmark Corporation and Subsidiaries****Notes to the Consolidated Financial Statements****For the year ended December 31, 2022****(Expressed In United States Dollars)****25. Related party balances and transactions****a) Transactions with key management personnel and shareholders**

Transactions with key management personnel of the Group include certain members of the Group's executive management team and the Board of Directors and shareholders which have the responsibilities for strategic planning, oversight and control of the Group. During the period, the total compensation paid to the executive management team and Board of Directors and shareholders amounted to USD538,716 (2021 USD:301,509).

**b) Other related party balances:**

| <b>Due from related parties</b> | <b>2022</b> | <b>2021 (Unaudited)</b> |
|---------------------------------|-------------|-------------------------|
| TheraCann USA Benchmark Corp.   | 178,369     | 178,369                 |
| Flashpoint Components, S.A.     | 8,007       | 41,988                  |
| Carlos Zapata                   | 2,000       | 2,000                   |
| Christopher Bolton              | 41,299      | 49,429                  |
| Kyle Horak                      | 0           | 212                     |
|                                 | 229,675     | 271,998                 |

| <b>Other assets</b>                    | <b>2022</b> | <b>2021 (Unaudited)</b> |
|--|-------------|-------------------------|
| Accounts receivables from shareholders | 10,000      | 10,000                  |

| <b>Due to related parties</b> | <b>2022</b> | <b>2021 (Unaudited)</b> |
|-------------------------------|-------------|-------------------------|
| Christopher Bolton            | 139,624     | 161,188                 |
| Colleen Mckay                 | 2,602       | 0                       |
|                               | 142,226     | 161,188                 |

| <b>Loans to shareholders</b> | <b>2022</b> | <b>2021 (Unaudited)</b> |
|------------------------------|-------------|-------------------------|
| Christopher Bolton           | 0           | 3,657                   |
| Julie Bolton                 | 6,863       | 8,524                   |
| Robert Bolton                | 10,523      | 15,775                  |
| Shawn Halter                 | 510,226     | 11,021                  |
|                              | 527,612     | 38,977                  |

| <b>Accrued liabilities</b> | <b>2022</b> | <b>2021 (Unaudited)</b> |
|----------------------------|-------------|-------------------------|
| Albert Bangcaya            | 0           | 86,616                  |

The amounts due from/to related parties are unsecured, non-interest bearing and due on demand.

**26. Income taxes**

TheraCann International Benchmark Corp. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.71-18 March 5, 2018.

One System One Solution, S.A. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.154-19 from June 5, 2019.

Sprout AI, S.A. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.339-19 from October 7, 2019.

ETCH Biotrace S.A. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.324-19 from September 10, 2019.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

TheraCann International Benchmark Corporation (The Parent company) and the Subsidiaries Sprout AI S.A., One System One Solution, S.A. ETCH Biotrace, S.A. are domiciled in Panama Pacific especial tax zone and present tax-exempt status where they have benefits from the provisions of Law 41 of July 20, 2004, which establishes a special tax regime providing tax exemptions for the specific activities detailed in the aforementioned law, and these exemptions are applicable to the company not subject to corporate income tax on any of its domestic and foreign sales. This tax-exempt status expires in 2027 and can be further extended under current tax legislation.

#### Transfer prices

Law 33 of June 30, 2010, modified by Law 52 of August 28, 2012, added Chapter IX to Title I of Book Four of the Fiscal Code, called Standards of Adaptation to Treaties or Agreements to Avoid Double Taxation International, establishing the transfer pricing regime applicable to taxpayers who carry out transactions with related parties residing abroad. These taxpayers must determine their income, costs and deductions for tax purposes in their income statements, based on the price or amount that would have been agreed upon by independent parties under similar circumstances under conditions of free competition, using the methods established in said Law 33.

This law establishes the obligation to present an informative declaration of operations with related parties (Report 930 implemented by the DGI) within the six months following the close of the corresponding fiscal year, as well as counting, at the time of presentation of the report, with a transfer pricing study that supports what was declared through Report 930. This study must be submitted at the request of the DGI, within a period of 45 days counted from the notification of the requirement. The non-presentation of the informative declaration will result in the application of a fine equivalent to one percent (1%) of the total value of the operations carried out with related parties.

Sprout AI Inc., TheraCann Canada Benchmark Corporation and TheraCann Canada Inc. are subject to the basic federal tax rates of 38% according to the legislation of the government of Canada.

Sprout AI Australia PTY, TheraCann Australia Benchmark PTY LTD, are subject to the corporation federal tax rate of 30% on their taxable income, according to Australian tax legislation.

TheraCann Africa Benchmark Corp. is subject to the standard corporate tax rate of 27%, under the South Africa corporate income tax legislation.

## **27. Capital management**

The Group manages share capital and capital stock reserve as capital. The objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Group will be able to raise funds in the future. There were no changes to the Group's approach to capital management since incorporation.

The Group is not subject to externally imposed capital requirements. The Group does not currently have adequate sources of capital for the development of its business and will need to raise additional capital by obtaining equity financing through private placements or debt financing. The Group may raise additional debt or equity financing in the near future to meet its current obligations (Note 1).

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2022**

**(Expressed In United States Dollars)**

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#### **28. Subsequent events**

On February 20, 2023, the Parent Company issued 315,714 common shares at a price of us \$3.50 per share for gross proceeds of \$1,105,000.

On May 15, 2023, the board approved a restricted share unit (RSU) program, which allows the Company to allocate up to 10% of the outstanding shares of the Company. The Board of Directors is in the process of confirming the allocation of 3,715,912 RSU to be distributed between Directors, Offices, General Staff and Resources. The confirmation and subsequent allocation will be determined and reported to the Company's shareholders as part of the amalgamation transaction mentioned below.

On May 29, 2023, TheraCann International Benchmark Corporation entered into an amalgamation agreement with Sprout AI Inc. and Sprout AI, S. A. Under the terms of the agreement, TheraCann International Benchmark Corporation will acquire Sprout AI, S. A. in a reverse takeover structure, whereby the Company's operations will be combined. The entities have agreed to a conversion ratio of 5,296 which results in TheraCann International Benchmark Corporation shareholders owning approximately 70% of the common equity post completion. The arrangement is subject to the regulatory authorities' approval and the Group's shareholder approval to be obtained at a special shareholder's meeting tentatively scheduled for July 2024.

#### **Signing of Protocols and Cooperation Agreements:**

University of LATAM – UDELAS: May 2023

University of Manupal Duabi: Jan 2024

#### **Strategic Litigation:**

In Q3 2023 TheraCann filed and serviced its defense on K2 Principal Fund LP (K2). Having robustly defended its position, TheraCann then filed against K2 a counter claim in relation to interference of business.

On April 30, 2024, TheraCann International Benchmark Corporation received edict No. 076/2024, the Secretary-General from the Superior Office of the Ministry of Labor and Labor Development of the Republic of Panama absolving TheraCann International Benchmark Corporation from the claim imposed against it according to Resolution No. DRTAPP-001-023-dgt-53-23 (Note 22, paragraph c). Additionally, TheraCann International Benchmark Corporation, One System One Solution, S.A., ETCH Biotrace, S.A., and Sprout AI, S.A. are absolved from the claims filed by ex-staffs. Consequently, it is ordered the lifting of the seizure decreed by Order No. 129-JCD-2020 of November 20, 2020, and the extension of the seizure decreed by Order No. 90-JCD-2022 of November 21, 2022, by the Conciliation and Decision Board Number Four (4) without a conviction or any legal costs.

**TheraCann International Benchmark  
Corporation and Subsidiaries**

**Consolidated Financial Statements**  
**December 31, 2023**  
(With Independent Auditor's Report Thereon)

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## **Independent Auditor's Report**

To the Boards of Directors and Shareholders of  
TheraCann International Benchmark Corporation

Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the consolidated financial statements of TheraCann International Benchmark Corporation and Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of loss and other comprehensive loss, consolidated statement of changes in equity (deficiency) and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities related to the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethics requirements that are relevant to our audit of the consolidated financial statements in the Republic of Panama, and we have fulfilled all other ethical responsibilities in accordance with those requirements and the Code of Ethics of the IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Relating to Going Concern*

We draw attention to note 1 in the consolidated financial statements which indicates that the Group has incurred a comprehensive loss of USD3,088,782 during the year ended December 31, 2023, and, as of that date, the Group's current liabilities exceeded its total assets by USD15,267,015 and show us a total shareholder's equity (deficiency) of USD13,820,765.

As stated on Note 1, these events or conditions, along with other matter as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Basis for Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| Impairment Testing of Intangible Assets  |  |
|--|--|
| See Note 10 to the consolidated financial statements.  |  |
| The key audit matter   | How the matter was addressed in our audit  |
| <p>The Group has recognised intangible asset in the amount of USD1,913,301 as of December 31, 2023.</p> <p>The annual impairment testing of intangible asset is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of a cash generating unit is determined by management based on discounted cash flow projections. Management's cash flow projections for the cash generating unit included significant judgements and assumptions relating to a transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets. Any impairment charges are determined by comparing the fair value of the cash generating unit to its carrying value.</p> | <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"><li>(i) testing management's process for developing the fair value estimates of the cash generating unit;</li><li>(ii) (ii) evaluating the appropriateness of the underlying discounted cash flow projections;</li><li>(iii) (iii) testing the completeness and accuracy of underlying data used in the projections; and</li><li>(iv) (iv) evaluating the reasonableness of the significant assumptions used by management, including the transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets.</li></ul> |

|  |  |
|--|--|
| Valuation of convertible debentures  |  |
| See Note 14 to the consolidated financial statements.                                    |  |
| The key audit matter   | How the matter was addressed in our audit  |
| The Group's convertible debentures has recognised USD13,032,133 as of December 31, 2023. | <p>These obligations are initially recognized at fair value. The convertible debentures debt are subsequently they will be measured at its amortized cost using the effective interest method. The convertible debentures warrant liability and convertible debentures option derivative liability are subsequently they will be measured at its fair value.</p> <p>The determination of the subsequently measured as at its amortized cost is using the effective interest method (Convertible debentures debt) and the debentures warrant liability and debentures option derivative liability are subsequently they will be measured at its fair value was significant to our audit and considered a key audit matter due to the significance of its value and the degree of judgement and subjectivity in evaluating management's estimates. We obtained an understanding of the valuation methodology and inputs used by management and evaluated management's key assumptions.</p> |

#### *Emphasis of Matter*

We draw attention to Note 23 to the consolidated financial statements, which describe the balances and transactions with its related parties. These balances and transactions have important effects on the consolidated financial position, the consolidated financial performance, and consolidated cash flows of the Group.

#### *Responsibilities of Management's and those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concerned, and using the going concern basis of accounting, unless Management either intends to liquidate the Group or to cease operation, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Group financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and specific evidence in relation to the financial information of entities or business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and execution of the Group audit. We are solely responsible for our audit opinion.

We communicate with those in charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### *Other Legal Information Requirements*

In compliance with Law 280 of December 30, 2021, which regulates the Profession of Authorized Public Accountant in the Republic of Panama, we declare the following:

- That the direction, execution, and supervision of this audit work has been carried out physically in Panamanian territory for the business activities that carry out their operations that are perfected, consumed, or take effect within the Republic of Panama and the other jurisdictions.
- The partner in charge of the audit that has prepared this report of the independent auditors is Delia García with the Professional License number of the certified public accountant (C.P.A.) #1304.
- The work team that has participated in the audit of the Group referred to in this report is made up of Delia García, Partner; Katia Abrego, Senior Manager.



Panama, Republic of Panama  
June 28, 2024

Delia García  
Partner  
C.P.A.1304

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2023**  
**(Expressed in United States Dollars)**

| <b>Assets</b>  | <b>Note</b> | <b>2023</b>         | <b>2022</b>         |
|--|-------------|---------------------|---------------------|
| <b>Current assets</b>  |             |                     |                     |
| Cash   | 4           | 34,244              | 2,845               |
| Accounts receivable and other                                  | 5, 23       | 42,440              | 44,927              |
| Prepaid expenses   | 6           | 50,708              | 207,488             |
| Inventories  | 7           | 171,322             | 31,066              |
| <b>Total current assets</b>                                    |             | <b>298,714</b>      | <b>286,326</b>      |
| <b>Non-current assets</b>                                      |             |                     |                     |
| Right-of-use assets  | 8           | 2,009               | 278,095             |
| Property, plant and equipment                                  | 9           | 120,159             | 253,177             |
| Intangible assets  | 10          | 1,913,301           | 2,038,340           |
| Other assets   |             | 10,000              | 10,000              |
| <b>Total non-current assets</b>                                |             | <b>2,045,469</b>    | <b>2,579,612</b>    |
| <b>Total assets</b>  |             | <b>2,344,183</b>    | <b>2,865,938</b>    |
| <b>Liabilities</b>   |             |                     |                     |
| <b>Current liabilities</b>                                     |             |                     |                     |
| Accounts payable and other                                     | 11, 23      | 1,555,300           | 1,552,497           |
| Income tax payable   | 24          | 5,429               | 0                   |
| Accrued payroll liabilities                                    | 23          | 175,905             | 132,729             |
| Customer advances  | 12          | 772,315             | 885,015             |
| Current portion of loans                                       | 13          | 22,603              | 50,236              |
| Convertible debentures   | 14          | 13,032,133          | 11,931,658          |
| Current portion of lease liabilities                           | 15          | 2,044               | 283,247             |
| <b>Total current liabilities</b>                               |             | <b>15,565,729</b>   | <b>14,835,382</b>   |
| Loans  | 13          | 599,219             | 524,451             |
| Lease liabilities  | 15          | 0                   | 2,050               |
| <b>Total non-current liabilities</b>                           |             | <b>599,219</b>      | <b>526,501</b>      |
| <b>Total liabilities</b>                                       |             | <b>16,164,948</b>   | <b>15,361,883</b>   |
| <b>Shareholder's equity (deficiency)</b>                       |             |                     |                     |
| Share capital  | 16          | 10,000              | 10,000              |
| Additional paid-in capital                                     | 26          | 1,770,696           | 0                   |
| Capital stock reserve  | 17          | 25,351              | 25,351              |
| Translation reserve  |             | 194,808             | 186,074             |
| Complementary tax  |             | (6,734)             | 0                   |
| Accumulated deficit  |             | (13,900,154)        | (11,363,159)        |
| <b>Equity attributable to owners of the Group</b>              |             | <b>(11,906,033)</b> | <b>(11,141,734)</b> |
| Non-controlling interests                                      |             | (1,914,732)         | (1,354,211)         |
| <b>Total shareholder's equity (deficiency)</b>                 |             | <b>(13,820,765)</b> | <b>(12,495,945)</b> |
| <b>Total liabilities and shareholder's equity (deficiency)</b> |             | <b>2,344,183</b>    | <b>2,865,938</b>    |

See accompanying notes to the consolidated financial statements.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Consolidated Statements of Loss and Other Comprehensive Loss**  
**For the year ended on December 31, 2023**  
**(Expressed in United States Dollars)**

|  | Note     | 2023               | 2022               |
|--|----------|--------------------|--------------------|
| <b>Revenues</b>  |          |                    |                    |
| Sale of products   | 18       | 0                  | 1,279,548          |
| Service revenue  | 18       | 162,426            | 788,175            |
| <b>Total revenues</b>  |          | <b>162,426</b>     | <b>2,067,723</b>   |
| <b>Costs</b>   |          |                    |                    |
| Cost of sales  |          | 0                  | 694,721            |
| Cost of services   |          | 66,184             | 113,692            |
| <b>Total costs</b>   |          | <b>66,184</b>      | <b>808,413</b>     |
| <b>Gross profit</b>  |          | <b>96,242</b>      | <b>1,259,310</b>   |
| <b>Expenses</b>  |          |                    |                    |
| General and administrative expenses  | 20       | 1,482,286          | 1,650,094          |
| Bad debt expense   | 5        | 3,668              | 37,845             |
| Loss in investment fair value  |          | 0                  | 100,000            |
| Foreign exchange loss (gains)  |          | 514,654            | (620,992)          |
| Depreciation and amortization  | 8, 9, 10 | 663,313            | 623,346            |
| <b>Total expenses</b>  |          | <b>2,663,921</b>   | <b>1,790,293</b>   |
| <b>Operating loss</b>  |          | <b>(2,567,679)</b> | <b>(530,983)</b>   |
| <b>Finance costs</b>   |          |                    |                    |
| Interest expense on lease liabilities  | 15       | 26,625             | 5,723              |
| Interest expense on debentures   | 14       | 428,122            | 1,529,230          |
| Interest expense on loans  | 13       | 49,999             | 24,431             |
| <b>Total finance costs</b>   |          | <b>504,746</b>     | <b>1,559,384</b>   |
| <b>Other incomes and (expenses)</b>  |          |                    |                    |
| Other incomes  | 12       | 120,000            | 142,112            |
| Fair value adjustment of debentures  | 14       | (134,233)          | (1,059,702)        |
| Fair value adjustment of debt  | 13       | 0                  | 62,675             |
| <b>Total other incomes (expenses)</b>  |          | <b>(14,233)</b>    | <b>(854,915)</b>   |
| <b>Loss before income tax</b>  |          | <b>(3,086,658)</b> | <b>(2,945,282)</b> |
| Income tax   | 24       | (10,858)           | 0                  |
| <b>Loss for the period</b>   |          | <b>(3,097,516)</b> | <b>(2,945,282)</b> |
| <b>Other comprehensive loss items that are or may be reclassified subsequently to profit or loss</b> |          |                    |                    |
| Foreign exchange effect on debentures  | 19       | 0                  | 174,173            |
| Exchange differences on translation of foreign operations  | 19       | 8,734              | 25,162             |
|  |          | 8,734              | 199,335            |
| <b>Total other comprehensive loss for the period</b>   |          | <b>(3,088,782)</b> | <b>(2,745,947)</b> |
| <b>Loss attributable to</b>  |          |                    |                    |
| <b>Loss attributable to Owners of the Group</b>  |          | <b>(2,536,995)</b> | <b>(2,317,263)</b> |
| <b>Non-controlling interest</b>  |          | <b>(560,521)</b>   | <b>(628,019)</b>   |
| <b>Total loss attributable to</b>  |          | <b>(3,097,516)</b> | <b>(2,945,282)</b> |
| <b>Other comprehensive loss attributable to</b>  |          |                    |                    |
| <b>Other Comprehensive loss attributable to Owners of the Group</b>                                  |          | <b>(2,528,261)</b> | <b>(2,117,928)</b> |
| <b>Non-controlling interest</b>  |          | <b>(560,521)</b>   | <b>(628,019)</b>   |
| <b>Total other comprehensive loss attributable to</b>  |          | <b>(3,088,782)</b> | <b>(2,745,947)</b> |

See accompanying notes to the consolidated financial statements.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Equity (Deficiency)**  
**For the year ended on December 31, 2023**  
**(Expressed in United States Dollars)**

|  | Attributable to owners of the group |                               |                  |                                  |                             |                        |                      |                        |                                  |                                 |  |
|--|-------------------------------------|-------------------------------|------------------|----------------------------------|-----------------------------|------------------------|----------------------|------------------------|----------------------------------|---------------------------------|--|
|  | Note                                | Number of<br>common<br>shares | Share<br>capital | Additional<br>paid-in<br>capital | Capital<br>stock<br>reserve | Translation<br>reserve | Complementary<br>tax | Accumulated<br>deficit | Total<br>controlling<br>interest | Non-<br>controlling<br>interest | Total<br>shareholder's<br>equity<br>(deficiency) |
| Balance, December 31,<br>2021              | 16                                  | 10,000,000                    | 10,000           | 0                                | 25,351                      | (13,261)               | 0                    | (9,045,896)            | (9,023,806)                      | (726,192)                       | (9,749,998)                                      |
| Comprehensive loss for the<br>period       |                                     |                               |                  |                                  |                             |                        |                      |                        |                                  |                                 |  |
| Other comprehensive loss<br>for the period | 19                                  | 0                             | 0                | 0                                | 0                           | 199,335                | 0                    | 0                      | 199,335                          | 0                               | 199,335  |
| Net loss for the period                    |                                     | 0                             | 0                | 0                                | 0                           | 0                      | 0                    | (2,317,263)            | (2,317,263)                      | (628,019)                       | (2,945,282)                                      |
| Total comprehensive loss<br>for the period |                                     | 0                             | 0                | 0                                | 0                           | 199,335                | 0                    | (2,317,263)            | (2,117,928)                      | (628,019)                       | (2,745,947)                                      |
| Balance, December 31,<br>2022              | 16                                  | 10,000,000                    | 10,000           | 0                                | 25,351                      | 186,074                | 0                    | (11,363,159)           | (11,141,734)                     | (1,354,211)                     | (12,495,945)                                     |
| Additional paid-in capital                 | 26                                  | 0                             | 0                | 1,770,696                        | 0                           | 0                      | 0                    | 0                      | 1,770,696                        | 0                               | 1,770,696  |
| Complementary tax                          |                                     | 0                             | 0                | 0                                | 0                           | 0                      | (6,734)              | 0                      | (6,734)                          | 0                               | (6,734)  |
| Comprehensive loss for the<br>period       |                                     |                               |                  |                                  |                             |                        |                      |                        |                                  |                                 |  |
| Other comprehensive<br>loss for the period | 19                                  | 0                             | 0                | 0                                | 0                           | 8,734                  | 0                    | 0                      | 8,734                            | 0                               | 8,734  |
| Net loss for the period                    |                                     | 0                             | 0                | 0                                | 0                           | 0                      | 0                    | (2,536,995)            | (2,536,995)                      | (560,521)                       | (3,097,516)                                      |
| Total comprehensive<br>loss for the period |                                     | 0                             | 0                | 0                                | 0                           | 8,734                  | 0                    | (2,536,995)            | (2,528,261)                      | (560,521)                       | (3,088,782)                                      |
| Balance, December 31,<br>2023              | 16                                  | 10,000,000                    | 10,000           | 1,770,696                        | 25,351                      | 194,808                | (6,734)              | (13,900,154)           | (11,906,033)                     | (1,914,732)                     | (13,820,765)                                     |

See accompanying notes to the consolidated financial statements.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the year ended December 31, 2023**  
**(Expressed In United States Dollars)**

|  | Note     | 2023               | 2022             |
|--|----------|--------------------|------------------|
| <b>Operating activities</b>  |          |                    |                  |
| Loss for the period  |          | (3,097,516)        | (2,945,282)      |
| Adjustments for:   |          |                    |                  |
| Expected credit losses of account receivables                            | 5        | 3,668              | 37,845           |
| Loss in investment fair value  |          | 0                  | 100,000          |
| Depreciation and amortization  | 8, 9, 10 | 663,313            | 623,346          |
| Disposal of furniture and equipment                                      |          | 0                  | 8,641            |
| Gain on disposition of property, plant and equipment                     |          | 0                  | (47,454)         |
| Reclassification of right-of-use asset                                   | 8        | 0                  | (9,700)          |
| Interest expense on loans  | 13       | 49,999             | 24,431           |
| Interest expense on debentures   | 14       | 428,122            | 1,529,230        |
| Interest expense on lease liabilities                                    | 15       | 26,625             | 5,723            |
| Fair value adjustment of debt  | 13       | 0                  | (62,675)         |
| Fair value adjustment of debentures                                      | 14       | 134,233            | 1,059,702        |
| Foreign exchange loss (gains) on debentures                              | 14       | 538,120            | (772,813)        |
| Exchange differences on translation of foreign operations and debentures | 19       | 8,734              | 199,335          |
| Foreign exchange loss on loans   | 13       | 2,137              | 0                |
| Income tax expense   | 24       | 10,858             | 0                |
| Income tax paid  |          | (5,429)            | 0                |
|  |          | (1,237,136)        | (249,671)        |
| <b>Changes in working capital</b>  |          |                    |                  |
| Accounts receivable and other  |          | (1,181)            | 56,101           |
| Prepaid expenses   |          | 156,780            | 621,140          |
| Inventories  |          | (140,256)          | 136,387          |
| Accounts payable and other   |          | 2,803              | (267,065)        |
| Accrued payroll liabilities  |          | 43,176             | (205,144)        |
| Customer advances  |          | (112,700)          | (771,525)        |
| Net change in working capital related to operations                      |          | (51,378)           | (430,106)        |
| <b>Net cash flows used in operating activities</b>                       |          | <b>(1,288,514)</b> | <b>(679,777)</b> |
| <b>Investing activities</b>  |          |                    |                  |
| Purchase of property, plant and equipment                                | 9        | (34,086)           | (14,890)         |
| Proceeds from disposition of property, plant and equipment               |          | 0                  | 61,252           |
| Purchase of intangible assets  | 10       | (150,909)          | (329,977)        |
| Decrease of intangible assets  | 10       | 55,825             | 0                |
| <b>Net cash flows used in investing activities</b>                       |          | <b>(129,170)</b>   | <b>(283,615)</b> |
| <b>Financing activities</b>  |          |                    |                  |
| Lease liabilities repayments   | 15       | (309,878)          | (284,466)        |
| Proceeds of loans  | 13       | 0                  | 520,000          |
| Complementary tax  |          | (6,734)            | 0                |
| Additional paid-in capital   | 26       | 1,770,696          | 0                |
| Repayment of loan to shareholder   | 13       | (5,001)            | (9,148)          |
| <b>Net cash flows from financing activities</b>                          |          | <b>1,449,083</b>   | <b>226,386</b>   |
| <b>Increase/(decrease) in cash</b>                                       |          | <b>31,399</b>      | <b>(737,006)</b> |
| Cash at beginning of period  | 4        | 2,845              | 739,851          |
| <b>Cash at end of period</b>   | <b>4</b> | <b>34,244</b>      | <b>2,845</b>     |

See accompanying notes to the consolidated financial statements.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

**(Expressed In United States Dollars)**

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#### **1. Nature of operations and going concern**

TheraCann International Benchmark Corporation ("The Parent Company", "TIBC") was incorporated under the laws of the Republic of Panama, through the Public Deed No. 7137 dated April 26, 2017, and commenced operations on the same date. The registered offices are located at Parque Internacional de Negocios, Edificio 3860 Unit 5B, Panama Pacifico, Veracruz Township, Arraiján District, Panama Province, Republic of Panama.

Its main activity is to provide complete turnkey infrastructure solutions with the best technology efficient, affordable, innovative, and adaptable vertical indoor farming to highly regulated markets in the pharmaceutical industry, food industry, and government entities, ensuring traceability and maximum product quality. TheraCann offers a complete supply chain solution. From the industry/project that starts with the legal regulatory framework to production, procedures, distribution, and integration of primary technologies.

The Companies included in the consolidated financial statements of TheraCann International Benchmark Corporation and its wholly owned subsidiaries are the following:

Sprout AI Inc. ("SAI". Formerly, 12682803 B.C. Ltd.), a subsidiary owned 53% by the "Parent Company" was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. On June 1, 2021, Sprout AI, Inc. changed its name from "12682803 B.C. Ltd." to Sprout AI Inc. On July 5, 2021, the shares of the Company began trading on the Canadian Securities Exchange ("CSE") under the symbol of SPRT and subsequently changed to BYFM on November 5, 2021. On January 14, 2022, the shares of the Company began trading on the United States OTC stock market under the symbol BYFMF. The Company's head office is located at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2. The Company is engaged in vertical farming technology and is in the business of planning, design, manufacturing and /or assembling sustainable and scalable AI-controlled vertical cultivation equipment (the "habitat") for indoor vertical farming.

Sprout AI S.A. ("SASA") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on November 19, 2018, in the Republic of Panama through Public Deed No. 30280. The registered office of Sprout is located at The International Business Park Unit 5B, Building 3860, Panama Pacifico, Republic of Panama. SASA was registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 on October 7, 2019.

Sprout AI Australia PTY LTD. ("SAPTY") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on September 6, 2021, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia.

TheraCann Canada Benchmark Corp. ("TCAN") a subsidiary owned 100% by the "Parent Company", was incorporated on January 12, 2016, under the business Act of the Government of Alberta. On January 2, 2019, TCAN and "The Parent Company" entered into a Master Inter-Company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCAN's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

**(Expressed In United States Dollars)**

TheraCann Australia Benchmark Pty Ltd. ("TAUS") a subsidiary owned 100% by the "Parent Company" was incorporated on July 17, 2017, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia. On June 1, 2019, TAUS and "The Parent Company" entered into a service agreement in which the "Parent Company" provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAUS's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology.

One System One Solution, S.A., ("OS2") a subsidiary owned 100% by the "Parent Company" was incorporated as a corporation through Public Deed No. 3,336 on February 6, 2018, and registered in the Public Registry of Panama on March 5, 2018. Its main activity is the development of applications for enterprise resource management and compliance. These applications encompass systems that oversee all daily operations, as well as the monitoring and control processes in vertical farming systems using the Sprout technology.

TheraCann Canada Inc. ("TCI") a subsidiary owned 100% by the "Parent Company", was incorporated on April 01, 2019, under the business Act of the Government of Alberta. On July 1, 2019, TCI and "The Parent Company" entered into a Master Inter-company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCI's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

ETCH Biotrace, S.A. ("ETCH") a subsidiary owned 100% by the "Parent Company", was incorporated on February 1, 2019, as a private limited company under the laws of the Republic of Panama. ETCH primary activity is to provide plant with irremovable taggant tracking system that can be used to confirm authenticity of crop source.

TheraCann Africa Benchmark ("TAFR") a subsidiary owned 100% by the "Parent Company" was incorporated on June 20, 2022, under the terms of the Minister of Trade and Industry section 223 of the Companies Act 2008 (Act No. 71 of 2008). On June 1, 2022 TAFR and "The Parent Company" entered into a service agreement in which the "Parent Company" provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAFR's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology.

These consolidated financial statements are prepared on the basis that the Group will continue as a going concern, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future.

Details of accumulated deficit, working capital and cash of the Group:

|                     | <b>2023</b>         | <b>2022</b>  |
|---------------------|---------------------|--------------|
| Accumulated deficit | <b>(13,900,154)</b> | (11,363,159) |
| Working capital     | <b>(15,267,015)</b> | (14,549,056) |
| Cash                | <b>34,244</b>       | 2,845        |



## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

**(Expressed In United States Dollars)**

The ability of the Group to be successful in obtaining additional future financing cannot be predicted at this present time and as such there is a material uncertainty that may cast significant doubt on the ability to continue as a going concern. The continuation of the Group as a going concern is dependent on the ability of the Group to achieve positive cash flow from operations and/or obtain necessary equity or other financing to meet its current obligations and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

As we reflect on our journey and look forward to the future, TheraCann International Benchmark Corporation is poised for transformative growth and innovation. Here are the forward-looking statements based on our current initiatives and strategic planning represented by the management:

#### **Financial Strengthening, Capital Raise, and Financial Outlook:**

In Q2 2023, TheraCann initiated a non-brokered private placement round to raise USD1M, selling shares within TheraCann at USD3.50 per Common "A" Voting Share. As of Q3 2023, TheraCann had closed the oversubscribed round at USD1.32M. In Q1 2024 TheraCann initiated a second non-brokered private placement round to raise USD2.5 million for operational and capital expenses at USUSD3.50 per Common "A" Voting Share. As of April 30, 2024 TheraCann was oversubscribed at USD3.85M. Included in this round was a share swap of TheraCann shares valued at USD3.5 per share in exchange for ownership of land in Panama suitable for construction of TheraCann's CPC sized facility. The land was appraised by Colliers valued at USD3,030,000, and is strategically located near one central food production, and packaging center of one of TheraCann's largest grocery store clients. In Q1 2024 TheraCann also secured short term loans totaling USUSD370K, payable at 8% interest per month. In Q2 2024 TheraCann is in process of securing additional lines of credit, and / or mortgages, on the above land totaling up to 80% of the land value to ensure prompt project commencement. In addition to the above TheraCann has also secured memorandum of understanding (MOU), and Term Sheets to access capital post amalgamation between TheraCann and Sprout AI, totaling over USD250M for purposes of financing its 5 years business plan. In so doing, TheraCann has secured sufficient additional capital for sustainable growth and profitability.

**Expansion of Physical Infrastructure:** TheraCann has prepared a 5-year business plan ending December 2029 that includes a planned roll-out of up to 27 separate locations, in up to 7 different countries, that will include a mixture of Discovery Centre (DC), Centre of Excellence (COE), and Commercial Production Centre (CPC) sized facilities. The purpose of these strategic urban farms will be to bring our products closer to consumers, reducing logistics costs and enhancing market responsiveness. By strategically positioning these facilities globally, we will have significantly managed global risks including country, political, economic, project, and technology risks. This expansion aims to cater to grocery store chains and restaurants that heavily rely on imports to service their domestic markets. When fully operational, a DC facility is projected to generate USD3.0 million in revenue with expenses of USD1.6 million, resulting in an EBITDA of USD2.3M, based on a sales price of USD48 per Kg. TheraCann's larger COE facility is expected to achieve revenues of USD7 million with expenses of USD2.6 million, yielding an EBITDA of USD4.7 million based on USD48 per Kg. Finally, the CPC facility, designed to meet high-demand commercial needs, anticipates generating revenues of USD24.7 million with expenses of USD2.3 million, resulting in an EBITDA of USD17 million based on USD48 per Kg. In preparation for this expansion plan, the company aims to establish up to 2-4 new FaaS facilities commencing in 2024, consisting of 1-2 DC facilities, and 1-2 CPC facilities.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

**(Expressed In United States Dollars)**

With an estimated CAPEX cost of USD72 million, these facilities are projected to generate an annual EBITDA of USD38.6 million at full capacity based on USD48 a Kg. The remaining 23 facilities are then designed through 2025 through 2028 in a ramping up schedule of 5-6 facilities per year. At peak production gross revenues of USD140M per year are projected.

#### **Global Expansion through Local Integration:**

The establishment of partnerships with local universities enables TheraCann to provide practicum and internship programs within each new city farm facility placement. TheraCann currently has proven this model to be very effective in relation to this partnership with UDELAS University of Panama, University of Honduras, and as February 2024 has entered into a three-year agreement with Manipal Dubai University of Dubai, 2024-2027. Each agreement further enhances TheraCann's ability to conduct ongoing research as well as our integration of our operations into local communities and markets. Coupled with these agreements is TheraCann's focus on providing ongoing support to Federal Government Department's of Agriculture. This includes Sprout AI's agreement with the Republic of Panama, Department of Agriculture, Department of Innovation's (IDIAP) two-year agreement to further evaluate the efficacy of Sprout AI's aeroponic and fogponic systems in relation to cultivation of strawberry and potato, in direct comparison to cultivation using hydroponic and traditional field production. IDAP's multi-year evaluation of the Sprout AI system, including analysis of cost of production versus traditional farming is designed to provide impartial analysis of the efficacy of our Farm as a Solution facility and technologies.

#### **Innovation in Agricultural Technology:**

The introduction in 2022 of our groundbreaking fogponics cultivation hardware system marks a significant technological advancement over the Sprout AI's previous aeroponic hardware system. This hardware innovation not only substantially reduced the risk of cultivation failure, but also expanded the range of possible fruit and vegetable crops that can be produced indoors, including root-based crops such as carrot, beat, and potato. To further advance this hardware innovation in 2023, TheraCann's One System One Solution (OS2) was advanced to version 7.0, together with an advanced artificial intelligence (AI) module that collections, manages, and reports on the optimal operation of each habitat parameter. To further advance this cultivation and hardware system, in 2024 TheraCann's ETCH Biotrace has begun benchscale testing of a new means of adding an irremovable taggant to plants, that does not require use of DNA, that enables the traceability of each batch of crops. This level of traceability not only ensures the full transparency and traceability of each batch of corps from point of cultivation through to final consumption, destruction, or recall, but ensures the substantial reduction of counterfeit produce, and / or grey market produce entering the marketplace. In so doing, Sprout AI's indoor vertical cultivation system has gone well beyond that of any nearest indoor vertical farm competitor, by providing great range of crops, higher yields, and operations that are shown to be more sustainable in terms of power use, water use, and labour. In 2024 we have begun the process of expanding the list of crops to include the cultivation of mushrooms as well. In so doing, TheraCann will have provided the first turn-key indoor Farm as a Solution (FaaS) Facility that includes a wide range of fruit, vegetables, and mushrooms utilizing the same technology, and that is without risk of contamination from biological or chemical sources (is Pure).

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

**(Expressed In United States Dollars)**

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#### **Transition to a Hybrid Operational Model:**

Learning from the challenges faced in client-based “You Own” projects in 2021, and 2021, TheraCann chose to enhance our business model in 2023 by implementing a “We Own” FaaS Facility model. This shift has enabled TheraCann to control the location, timing, and cost of its future projects, as well as to control more aspects of production.

Having relied solely on a “You Own” model resulted in all previous projects starting behind schedule, largely due to client internal managerial issues, including the timely financing of the project. Having adopted a hybrid model, we are now have the option to work with a Client under a “You Own” model, or it financing is directly available to TheraCann, immediately commence a “We Own” model project. As of Q2 2024 TheraCann has commenced a “We Own” project in the Republic of Panama that will be a Commercial Production Centre (CPC) sized facility. Land for this project was procured through a land for TheraCann common “A” voting share swap. Land was subsequently put into Trust, and through that trust title to the land was transferred to TheraCann, and shares transferred to the previous owner of the land. Then through this Trust, TheraCann was able to quickly secure financial loan facilities to commence project construction for this CPC location. Following this success, TheraCann is actively negotiating additional land for equity swaps in Q2 2024 for additional project sites, and to then seek additional traditional financing for project construction commencement.

#### **Direct Sale to Wholesale Market of Pure Produce:**

Starting in 2023 and expanding in 2024, TheraCann chose to market and directly sell its Pure produce, which consists of fruits and vegetables, to domestic grocery stores within 50 kilometers of its Centre of Excellence (COE) production and processing center in Panama Pacifico, Republic of Panama. This included sale of over 15 different crops consisting of fruit and vegetables and sold at a wholesale price to these customers. This produce was cultivated under licensed obtained from the Panama Department of Health (MINSa) in Q4 2023. Produce was produced within TheraCann’s Centre of Excellence (COE) located in Panama Pacifico and produced within Sprout AI controlled environment habitats. Following the successful weekly delivery of small batch crops, TheraCann sought to obtain in Q1 2024 official vendor status from the main grocery store chains in the Republic of Panama. Having obtained vendor status, TheraCann was required in 2024 to increase its production volume in Panama from its current Sprout AI habitats to a full Commercial Production Centre (CPC) Facility. Consequently, TheraCann is in process of moving from its COE as of May 2024, and commencing constructing one to two CPC’s in Panama in 2024/2025 to fulfill local market demand. This wholesale model will be repeated in a multitude of different global markets based on its low cost of marketing, distribution, and high success of larger volume product placement. The median average price for produce targeted to be placed within these facilities is a median average price of USD48 per kilogram (Kg). At full production a CPC will be expected to produce USD23.5M per year in revenue and generate returns on assets (ROA) of higher than 10%, and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of higher than 60%.

#### **Filing of Patents and Trademarks:**

Commencing in 2021 and continuing through 2023, TheraCann Companies and Sprout AI filed through Aalun LLC a series of applications for trademarks and patents to protect our intellectual property (IP). These include, but are not limited to:

- GB2117915.5 10/12/2021 Patent Non-Provisional GB – United Kingdom GB2613633 Published method and system for automated indoor vertical cultivation of plants.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

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- PCT/IB2022/062076 12/12/2022 Patent Non-Provisional WO - World Intellectual Property Organization (WIPO) WO2023105502 Published method and system for automated indoor vertical cultivation of plants.
  - B2308692.9 09/06/2023 Patent Non-Provisional GB - United Kingdom Pending method and system for automated indoor vertical cultivation of plants.
  - GB2308694.5 09/06/2023 Patent Non-Provisional ZA - South Africa Pending method and system for automated indoor vertical cultivation of plants.
  - SG10202113746Y 10/12/2021 Patent Non-Provisional SG – Singapore Pending method and system for automated indoor vertical cultivation of plants.

Our IP is registered through Panama which then offers additional IP under Penal Law.

In conclusion, TheraCann is navigating current challenges with strategic acumen and is laying a solid foundation for future growth. We are committed to leveraging our technological innovations and operational expansions to deliver sustainable value to our stakeholders and significantly enhance our market position.

## **2. Significant accounting policies**

The accounting policies detailed below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

### **Basis of presentation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC") for the periods presented.

These consolidated financial statements have been prepared on an historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for consolidated cash flow information.

Unless otherwise noted, all amounts on the consolidated financial statements are presented in United States dollars ("USD"), which is the functional currency for the Parent Company and of these subsidiaries ETCH Biotrace, S. A., One System One Solution, S. A., Sprout AI, S. A. and TheraCann Australia Benchmark PTY Ltd. The functional currency for the subsidiaries Sprout AI Inc., TheraCann Canada Benchmark Corp, TheraCann Canada Inc. are Canadian Dollars ("CAD"), for the subsidiary TheraCann Africa Benchmark Corp. are South African Rand ("ZAR") and for the subsidiary Sprout AI Australia PTY are Australian Dollars ("AUD"). The presentation currency of these consolidated financial statements is USD.

During 2022, the Subsidiary Sprout AI Inc. changed its fiscal period to January 31, 2022, as approved by the Canadian Securities Exchange (CSE).

## **TheraCann International Benchmark Corporation and Subsidiaries**

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The figures used in this consolidated financial statement for Sprout AI Inc. pertain to the period from February 1, 2023, to January 31, 2024, with comparative figures ended January 31, 2023, in accordance with the provisions specified in paragraph B93 of Reporting Date of IFRS 10 Consolidated Financial Statements.

These consolidated financial statements were authorized for issue by the Board of Directors on June 28, 2024.

### **Basis of consolidation**

These consolidated financial statements include the accounts of the Parent Company, and its subsidiaries as follows:

| <b>Subsidiaries</b>                    | <b>Place of Incorporation</b> | <b>Year End Date</b> | <b>Ownership Interest</b> |
|--|-------------------------------|----------------------|---------------------------|
| ETCH Biotrace S.A.                     | Panama                        | December 31          | 100%                      |
| One System One Solution S.A.           | Panama                        | December 31          | 100%                      |
| TheraCann Australia Benchmark Pty Ltd. | Australia                     | December 31          | 100%                      |
| TheraCann Africa Benchmark Corp        | South Africa                  | December 31          | 100%                      |
| TheraCann Canada Benchmark Corporation | Canada                        | December 31          | 100%                      |
| TheraCann Canada Inc.                  | Canada                        | December 31          | 100%                      |
| Sprout AI Inc.                         | Canada                        | January 31           | 53%                       |
| Sprout AI S.A.                         | Panamá                        | January 31           | 53%                       |
| Sprout AI Australia PTY                | Australia                     | June 30              | 53%                       |

### **Subsidiaries**

A subsidiary is an entity controlled by the Group and is included in the consolidated financial statements from the date that control commences until the date the control ceases. The accounting policies of a subsidiary are changed where necessary to align them with policies adopted by the Group.

### **Transactions eliminated on consolidation.**

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in the preparation of these consolidated financial statements.

### **Non-controlling interests**

Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### **Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

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#### **Cash**

Cash consist of items that can be quickly converted into cash, typically within a period of less than ninety days. These assets are recorded at their transaction value. Cash includes the following items:

##### **Petty Cash**

Comprising funds designated for covering minor administrative expenses, the petty cash fund is only impacted during its establishment or closure. Reimbursements affect the relevant expense accounts while creating a payable to the petty cash custodian.

##### **Cash at Banks**

This category encompasses various savings and checking accounts held in the entity's name, maintained to meet both payment and collection needs.

#### **Inventories**

Inventories is valued at the lower of cost and net realizable value using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

Raw materials consumed in producing inventory are transferred to work-in-progress along with corresponding production costs incurred. Upon completion of production, work-in-progress is transferred to finished goods until the item is sold. Raw materials consumed in the development of prototypes are transferred to intellectual property when it is determined future economic benefit exists and those prototypes meet the recognition criteria as an intangible asset, otherwise they are charged to operations as development expense.

#### **Property, plant and equipment**

##### **Recognition and measurement**

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Group, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, which is not depreciated. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

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#### **Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of loss and other comprehensive loss as incurred.

#### **Major maintenance and repairs**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of loss and other comprehensive loss during the financial period in which they are incurred.

#### **Depreciation**

Depreciation is recognized in the consolidated statement of loss and other comprehensive loss and is provided for over the asset's estimated useful life:

|  |                         |
|--|-------------------------|
| Equipment                              | 3-5 years straight line |
| Leasehold improvements                 | 5 years straight line   |
| Right-of-use – Leased building         | 5-8 years straight line |
| Right-of-use – Leased office equipment | 3 years straight line   |

Depreciation methods estimated useful lives and residual values are reviewed at each year-end and adjusted if appropriate. The effect of any changes in estimate is accounted for on a prospective basis.

#### **Gains and losses**

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within the consolidated statement of loss and other comprehensive loss.

#### **Leases**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases, except for those leases that are short-term or convey the right to control the use of low value assets, are recognized as right-of-use ("ROU") assets and corresponding liabilities at the date at which a leased asset is available for use. Lease payments are allocated between finance costs, calculated using the effective interest method, and a reduction of the liabilities. ROU assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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### **Notes to the Consolidated Financial Statements**

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ROU assets are measured at cost, less any impairments, including:

- the initial measurement of lease liabilities.
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs; and
- an estimate of costs, if any, to be incurred by the Group in restoring the underlying asset to the condition required by the terms and conditions of the lease.

Liabilities arising from a lease are initially measured as the net present value of the future lease payments, including:

- fixed payments (including in-substance fixed payments), less any lease incentives.
- variable lease payments that are based on an index or a rate.
- amounts expected to be payable under residual value guarantees.
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

In recording ROU assets and related liabilities at inception of a lease, lease payments are discounted using the interest rate implicit in the lease. If that implicit rate cannot be determined, an incremental borrowing rate is used, being a rate that the Group would have to pay to borrow the funds required to obtain a similar asset, adjusted for term, security, asset value and the borrower's economic environment. The carrying amount of ROU assets and lease liabilities is remeasured if there is a modification of the lease, a change in the lease term, a change in the in-substance fixed lease payments, a change in the expected amount under a residual value guarantee, or a change in the assessment to exercise a purchase, extension, or termination option.

Payments for short-term leases and leases of low value assets are expensed on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less that do not contain a purchase option. Low value assets generally comprise computers and office furniture.

### **Intangible assets**

Intangible assets, which are not acquired as part of a business combination, are recognized at cost, net of accumulated amortization and accumulated impairment losses, if any. The internally generated intangible assets are recognized at development cost if they meet the criteria for capitalization. Intangibles acquired, if any, as part of a business combination are initially measured at their fair value on the acquisition date. Intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

|                           |                       |
|---------------------------|-----------------------|
| Patents                   | Useful life pending   |
| Trademark                 | Indefinite life       |
| Product development costs | 5 years straight line |



## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

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The estimated useful lives, amortization method, and residual value of each asset are evaluated annually or more frequently if required, and are adjusted, if appropriate.

#### **Impairment of long-lived assets**

Long-lived assets, including property, plant and equipment and intangible assets subject to amortization, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are grouped together to form a cash generating unit ("CGU") which is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

An impairment loss is recognized when the carrying value exceeds its recoverable amount and is recognized in the consolidated statement of loss and other comprehensive loss. Impairment losses recognized in respect of CGUs or CGU groups are allocated, first to reduce the carrying amount of any goodwill allocated to the CGU or CGU group, and then to reduce the net carrying amount of the other assets in the CGU or CGU group on a pro-rata basis.

The recoverable amount is the greater of its value in use and its fair value less costs to sell. The value in use is the estimated future cash flows that is discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

Impairment losses related to long-lived assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no previous impairment loss had been recognized.

#### **Revenue recognition**

Revenue is recognized in accordance with the five-step model under *IFRS 15 - Revenue from Contracts with Customers* when the goods or services promised are transferred to the customer. The model separates the following steps: identification of a contract with customers, identification of individual performance obligations, determination of transaction price, allocation of the transaction price to the individual performance obligations and the determination in timing of revenue recognition.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers based on information or payment received from relevant counterparties. The Group recognizes revenue related to products and services at the point when the products have been delivered, the customer takes control, and assumes risk of loss, and the collection of consideration is probable. Product sales represent revenue from the sale of products and shipping fees charged to customers.

Customer advances (contract liabilities) represent funds paid by customers in advance for delivery of Sprout AI Habitat Systems based on the sales agreements.

The Group recognizes sales revenue when it has fulfilled the performance obligation to the counter-party through the delivery and transfer of control of the promised goods at shipping point ("FOB shipping point").

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

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Other incomes include sponsorship income, service revenue for management, consulting, and software development services provided to related entities. Such revenue is recognized on accrual basis.

#### **Research and development costs**

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following relevant criteria have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- the intention to complete the intangible asset and use or sell it.
- the ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Group reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. Development costs deferred are not amortized until completion of the related development project. Amortization begins once the underlying development project is available for use.

#### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Group does not consider it is probable that a future tax asset will be recovered, it does not recognize the asset.

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Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Parent Company, Sprout AI S.A., One System One Solution, S.A. ETCH Biotrace, S.A. are domiciled in Panama Pacific especial tax zone and present tax-exempt status where they are not subject to corporate income tax on any of its domestic and foreign sales. This tax-exempt status expires in 2027 and can be further extended under current tax legislation.

Sprout AI Inc., TheraCann Canada Benchmark Corporation and TheraCann Canadá Inc. are subject to the basic federal tax rates of 38% according to the legislation of the government of Canada.

Sprout AI Australia PTY, TheraCann Australia Benchmark PTY LTD, are subject to the corporation federal tax rate of 30% on their taxable income, according to Australian tax legislation.

TheraCann Africa Benchmark Corp. is subject to the standard corporate tax rate of 27%, under the South Africa corporate income tax legislation.

### **Provision**

The Group recognizes a provision, if a result of a prior event, the Group has a current obligation requiring the outflow of resources to settle. Provisions are recorded at management's best estimate of the most probable outcome of any future settlement.

### **Foreign currency translations**

These consolidated financial statements are presented in United States Dollars which is the functional currency of the Parent Company.

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary items denominated in foreign currencies are translated into United States Dollars at exchange rates in effect at each financial position reporting date and non-monetary items are translated at rates of exchange in effect when the assets were acquired, or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

### **Financial instruments**

#### **Classification**

The Group classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Group determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics.

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### **Notes to the Consolidated Financial Statements**

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Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Group has opted to measure them at FVTPL.

The following table shows the classifications under IFRS 9:

| <b>Financial assets</b>       | <b>Classification</b> |
|-------------------------------|-----------------------|
| Cash                          | Amortized cost        |
| Accounts receivable and other | Amortized cost        |
| Due from related parties      | Amortized cost        |
| Investment                    | Amortized cost        |

| <b>Financial liabilities</b>                                  | <b>Classification</b> |
|---|-----------------------|
| Accounts payable and other                                    | Amortized cost        |
| Accrued and payroll liabilities                               | Amortized cost        |
| Due to related parties  | Amortized cost        |
| Loans   | Amortized cost        |
| Lease liabilities   | Amortized cost        |
| Convertible debentures debt                                   | Amortized cost        |
| Convertible debentures warrant liability                      | FVTPL                 |
| Convertible debentures conversion option derivative liability | FVTPL                 |

### **Measurement**

#### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

#### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in loss and other comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

#### *Equity instruments designated as FVTOCI*

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through other comprehensive loss to present subsequent changes in fair value in other comprehensive loss. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive loss. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument. The Group does not currently hold any equity instruments designated as FVTOCI.

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### **Notes to the Consolidated Financial Statements**

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#### *Convertible debentures warrant liability as FVTPL*

Convertible debentures warrant liability carried ad FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the warrant liability carried at FVTPL are included in loss and other comprehensive loss in the period in which they arise.

#### *Convertible debentures conversion option derivative liability as FVTPL*

Convertible debentures conversion option derivative liability carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes int the fair value of the conversion option derivative liability carried at FVTPL are included in loss and other comprehensive loss in the period in which they arise.

#### *Impairment of financial assets at amortized cost*

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Group measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit loss.

The Group shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

### **Derecognition**

#### *Financial assets*

The Group derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and other comprehensive loss.

#### *Financial liabilities*

The Group derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in loss and other comprehensive loss.

### **Offsetting of financial instruments**

Financial assets and liabilities are offset, and the net amount presented in the consolidated statement of financial position only where the Group has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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### **Notes to the Consolidated Financial Statements**

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#### **Compound financial instruments**

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value. See Note 14 for further details.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost under the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

#### **Share capital**

Share capital represents the amount received in exchange for the issuance of shares. Shares issued for consideration other than cash are recorded at their fair value according to quoted market price on the day the shares are issued.

#### **Share issuance costs**

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as equity. Share issuance costs related to uncompleted share subscriptions are charged to operations.

#### **Segmented information**

Management assesses its business operations on a regular basis for the geographic areas it operates in. Management has determined that it operates as a single operating division.

#### **New standards and amendments – applicable 1 January 2023**

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

- Amendments to IAS 1 and Practice Statement 2 - Disclosure of Accounting Policies: this amendment applicable for reporting periods beginning on or after January 1, 2023 makes minor changes to the references to accounting policies, such that disclosures should be of material accounting policies rather than significant accounting policies and further clarifies what an accounting estimate is. Specifically, it amends:

- a) IFRS 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;

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### **Notes to the Consolidated Financial Statements**

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- b) IAS 1, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- c) IAS 34, to identify material accounting policy information as a component of a complete set of financial statements rather than significant accounting policies; and
- d) Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

This amendment is to be applied prospectively.

- **Definition of Accounting Estimates:** this amends applicable for reporting periods beginning on or after January 1, 2023 for IAS 8, to clarify that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty and also clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates.

This amendment is to be applied prospectively.

- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction:** this amendment applicable for reporting periods beginning on or after January 1, 2023, updates IAS 12 *Income Taxes* to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. The amendments clarify that where organisations recognise both an asset and a liability and that gives rise to equal taxable and deductible temporary differences the related deferred tax assets and deferred tax liabilities must both be recognised. This may arise with transactions such as leases and decommissioning, restoration, and similar obligations.

These amendments are to be applied retrospectively to leases and decommissioning liabilities, and prospectively for all other transactions.

- In May 2023, the IASB made narrow-scope amendments to IAS 12 which provide a temporary relief from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments also require affected companies to disclose:

The fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes•their current tax expense (if any) related to the Pillar Two income taxes, and•during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure.

The amendments must be applied immediately, subject to any local endorsement process, and retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, the disclosures about the known or reasonably estimable exposure to Pillar Two income taxes are only required for annual reporting periods beginning on or after 1 January 2023 and do not need to be made in interim financial reports for interim periods ending on or before 31 December 2023.

## TheraCann International Benchmark Corporation and Subsidiaries

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed In United States Dollars)

#### Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the Group's December 31, 2023, consolidated financial statements. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these consolidated financial statements.

| Effective date   | New accounting standards or amendments  |
|--|---|
| 1 January 2024   | <i>Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1</i> |
| 1 January 2024   | <i>Lease Liability in a Sale and Leaseback – Amendments to IFRS 16</i>  |
| 1 January 2024   | <i>Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7</i>   |
| 1 January 2024   | <i>IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures</i>            |
| 1 January 2025   | <i>Lack of Exchangeability – Amendments to IAS 21</i>   |
| 1 January 2027   | <i>IFRS 18 Presentation and Disclosure in Financial Statements</i>  |
| Available for optional adoption/effective date deferred indefinitely | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28</i>                       |

### 3. Critical accounting estimates, assumptions and judgements

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management's estimates, assumptions and judgements are based on historical experience and other reasonable factors, including the expectation of future events.

Estimates that could affect the carrying amount of the assets and liabilities in the next financial year, in a material way are outlined below:



## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

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#### **Estimating the useful lives of non-financial assets**

Management is required to estimate the useful life of both property, plant and equipment, as well as intangible assets and rights-of-use, and analyze them based on factors including, but not limited to, the expected use of the asset. A change in the useful life of either property, plant and equipment, rights-of-use or intangible asset can result in an increase or decrease in the annual depreciation or amortization of the asset.

#### **Impairment assessment of intangible assets**

Management conducts an impairment assessment annually as of December 31, of its intangible asset if events or changes in circumstances indicate that the carrying value of a cash generating unit exceeds its fair value. Any impairment charges are determined by comparing the fair value of the cash generating unit to its carrying value. The recoverable amount of a cash generating unit is determined by management based on discounted cash flow projections. Management's cash flow projections for the cash generating unit includes significant judgements and assumptions relating to a transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets.

#### **Fair value of derivative financial instruments and warrants**

The estimated fair value of derivative financial instruments and warrants is determined based on an appropriate valuation model. Fair values are calculated using assumptions including, timing of future cash flows, discount rates, market price of the Group's shares and future events that may be out of the Group's control. The management estimated the fair value of shares and warrants as a consideration paid for the Reverse Take-Over (RTO).

The fair value of the conversion option derivative liability is calculated as the difference between the fair value of the convertible debentures with the conversion option and the fair value of the convertible debentures without the conversion option. The fair value of the conversion option derivative liability is calculated each period end with the difference being recognized in the statement of loss and other comprehensive loss.

The fair value of the warrant liability was calculated based on a nominal lattice model. The fair value of the conversion option derivative liability will be calculated each period end with the difference being recognized in the statement of loss and other comprehensive loss.

#### **Leases**

When the Group enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Group determines its incremental borrowing rate to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Group considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

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When the Group enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Group considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Group's operations; and any conditionality associated with exercising the option.

#### **Going concern**

##### **Group conditions and management plans**

These consolidated financial statements have been prepared assuming that the Group will continue as a going concern and that it will realize its assets and discharge its liabilities in the normal course of its operations. As of December 31, 2023, the Group shows a total net losses USD3,097,516 (2022: USD2,945,282) for which, it maintains accumulated losses of USD13,900,154 (2022: USD11,363,159), total shareholder's equity (deficiency) of USD13,820,765 (2022: USD12,495,945) and negative working capital of USD15,267,015 (2022: USD14,549,056).

The Group's ability to achieve its future business plans and objectives depends on the growth in the marketplace.

Management maintains future projections which include the growth of its services by attracting customers through listing on the stock market and offering turnkey solutions to worldwide vertical farming projects.

The TheraCann Group remains as a worldwide distributor of Sprout AI Technology expanding and maintaining future agreements and projects including sales to existing and new customers. Of the established agreements the following can be mentioned:

- Managed Service Agreements (MSAs)
- Consulting Services Agreements (CSA's)
- Fresh produce purchase orders

Sales opportunities include the design, management and production of indoor crops using Sprout AI technology. It is anticipated that a minimum of 2 of these opportunities will involve into a technology development and distribution within the next 12 – 18 months, which will then include Sprout AI technology.

Management has applied judgment in the assessment of the Group's ability to continue as a going concern when preparing its consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability and potential sources of replacement financing (see Note 1).

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**4. Cash**

Cash is detailed as follows:

|               | <b>2023</b>   | <b>2022</b> |
|---------------|---------------|-------------|
| Petty cash    | <b>85</b>     | 112         |
| Cash at banks | <b>34,159</b> | 2,733       |
|               | <b>34,244</b> | 2,845       |

**5. Accounts receivable and other**

Accounts receivable and other is detailed as a following:

|                                       | <b>2023</b>   | <b>2022</b> |
|---------------------------------------|---------------|-------------|
| Accounts receivable - trade           | <b>0</b>      | 30,527      |
| Provision for expected credit loss    | <b>0</b>      | (28,899)    |
|                                       | <b>0</b>      | 1,628       |
| Accounts receivable - related parties | <b>0</b>      | 186,376     |
| Accounts receivable - officers        | <b>0</b>      | 2,000       |
| Accounts receivable - shareholders    | <b>42,440</b> | 41,299      |
|                                       | <b>42,440</b> | 229,675     |
| Provision for expected credit loss    | <b>0</b>      | (186,376)   |
|                                       | <b>42,440</b> | 43,299      |
| <b>Total</b>                          | <b>42,440</b> | 44,927      |

|  | <b>2023</b>   | <b>2022</b> |
|--|---------------|-------------|
| Accounts receivable - customers, employees and other | <b>0</b>      | 30,527      |
| Accounts receivable - related parties                | <b>42,440</b> | 229,675     |
|  | <b>42,440</b> | 260,202     |
| Allowance for expected credit losses                 | <b>0</b>      | (215,275)   |
|  | <b>42,440</b> | 44,927      |

|                                    | <b>Trade</b> | <b>Insurance Claim</b> | <b>Officers</b> | <b>Other Receivables</b> | <b>Shareholders</b> | <b>Related Parties</b> | <b>Total</b> |
|------------------------------------|--------------|------------------------|-----------------|--------------------------|---------------------|------------------------|--------------|
| Balance as of December 31, 2021    | 1,131        | 39,603                 | 2,212           | 4,510                    | 49,429              | 41,988                 | 138,873      |
| Changes during the period          | 29,396       | (39,603)               | (212)           | (4,510)                  | (8,130)             | 144,388                | 121,329      |
| Provision for expected credit loss | (28,899)     | 0                      | 0               | 0                        | 0                   | (186,376)              | (215,275)    |
| Balance as of December 31, 2022    | 1,628        | 0                      | 2,000           | 0                        | 41,299              | 0                      | 44,927       |

|  | <b>Trade</b> | <b>Insurance Claim</b> | <b>Officers</b> | <b>Other Receivables</b> | <b>Shareholders</b> | <b>Related Parties</b> | <b>Total</b>  |
|--|--------------|------------------------|-----------------|--------------------------|---------------------|------------------------|---------------|
| Balance as of December 31, 2022        | 1,628        | 0                      | 2,000           | 0                        | 41,299              | 0                      | 44,927        |
| Changes during the period              | (1,628)      | 0                      | (2,000)         | 0                        | 1,141               | 0                      | (2,487)       |
| Provision for expected credit loss     | 0            | 0                      | 0               | 0                        | 0                   | 0                      | 0             |
| <b>Balance as of December 31, 2023</b> | <b>0</b>     | <b>0</b>               | <b>0</b>        | <b>0</b>                 | <b>42,440</b>       | <b>0</b>               | <b>42,440</b> |

During the period ended December 31, 2023, the Group has not established a provision for accounts receivable from shareholders, as there are no indications of impairment as of the date of this report.

# TheraCann International Benchmark Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

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(Expressed In United States Dollars)

For the period ending December 31, 2022, the Group applies the simplified approach of IFRS 9 to measure expected credit losses, using a lifetime expected credit losses collectively, trade receivables are grouped based on similar age and credit risk.

The terms and conditions associated with the trade accounts is due on receipt, for the related parties is 30 days and for officer's collections on demand.

As of December 31, 2023, the lifetime expected credit loss allowance for trade receivables is USD Nil (2022: USD215,275).

Set out below is the movement in the provision for expected credit losses of trade receivables:

|                                      | 2023      | 2022    |
|--------------------------------------|-----------|---------|
| As at beginning of the period        | 215,275   | 178,369 |
| Provision for expected credit losses | 3,668     | 37,845  |
| Write-off                            | (218,943) | (939)   |
| As at ending of the period           | 0         | 215,275 |

The following expected credit loss percentages are established as follows:

| Type                 | Exposure at default | Uncollectibility percentage | Exposure at loss given default | Provision |
|----------------------|---------------------|-----------------------------|--------------------------------|-----------|
| <b>2023</b>          |                     |                             |                                |           |
| Not Due 0 to 30 days | 0                   | 0.00%                       | 100.00%                        | 0         |
| 31 to 60 days        | 0                   | 0.00%                       | 100.00%                        | 0         |
| 61 to 90 days        | 0                   | 0.00%                       | 100.00%                        | 0         |
| 91 to 180 days       | 0                   | 0.00%                       | 100.00%                        | 0         |
| More than 181 days   | 0                   | 0.00%                       | 100.00%                        | 0         |
| <b>Totals</b>        |                     |                             |                                | <b>0</b>  |

| Type                 | Exposure at default | Uncollectible percentage | Exposure at loss given default | Provision      |
|----------------------|---------------------|--------------------------|--------------------------------|----------------|
| <b>2022</b>          |                     |                          |                                |                |
| Not Due 0 to 30 days | 0                   | 0.00%                    | 100.00%                        | 0              |
| 31 to 60 days        | 0                   | 0.00%                    | 100.00%                        | 0              |
| 61 to 90 days        | 0                   | 0.00%                    | 100.00%                        | 0              |
| 91 to 180 days       | 0                   | 0.00%                    | 100.00%                        | 0              |
| More than 181 days   | 216,903             | 99.25%                   | 100.00%                        | 215,275        |
| <b>Totals</b>        |                     |                          |                                | <b>215,275</b> |

| 2023                             | Sector balance | Loss provision | Accounts receivable, net |
|----------------------------------|----------------|----------------|--------------------------|
| <b>Geographic concentration:</b> |                |                |                          |
| <b>Panamá</b>                    | 42,440         | 0              | 42,440                   |
|                                  | 42,440         | 0              | 42,440                   |

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| <b>2022</b>                      | <b>Sector</b>  | <b>Loss</b>      | <b>Accounts</b>        |
|----------------------------------|----------------|------------------|------------------------|
| <b>Geographic concentration:</b> | <b>balance</b> | <b>provision</b> | <b>receivable, net</b> |
| Canada                           | 47,483         | (6,624)          | 40,859                 |
| USA                              | 178,369        | (178,369)        | 0                      |
| Panamá                           | 10,007         | (8,007)          | 2,000                  |
| Australia                        | 8,653          | (6,585)          | 2,068                  |
| South Africa                     | 15,690         | (15,690)         | 0                      |
|                                  | 260,202        | (215,275)        | 44,927                 |

## **6. Prepaid expenses**

Prepaid expenses represent payments made in advance for goods or services that will be received in the future, aiming to recognize costs appropriately in the corresponding period. As of December 2023, the prepaid expenses amount USD50,708 (2022: USD207,488)

|  | <b>2023</b>   | <b>2022</b> |
|--|---------------|-------------|
| Deposits on materials purchases and services | <b>29,544</b> | 188,627     |
| Prepayment of marketing services             | <b>0</b>      | 1,312       |
| Retain for legal services                    | <b>21,164</b> | 17,549      |
|  | <b>50,708</b> | 207,488     |

## **7. Inventories**

The Group inventory consists of materials inventory. Materials consumed in production of the habitat units are transferred to work-in-progress and then to finished goods upon completion of production.

|                      | <b>2023</b>    | <b>2022</b> |
|----------------------|----------------|-------------|
| Raw materials        | <b>47,826</b>  | 23,692      |
| Finished product     | <b>9,833</b>   | 7,374       |
| Inventory in transit | <b>113,663</b> | 0           |
|                      | <b>171,322</b> | 31,066      |

## **8. Right-of-use assets**

Right-of-use assets are as follows:

| <b>Cost</b>                                     | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
|---|------------------|------------------|------------------|
| Balance as at December 31, 2021                 | 1,071,410        | 9,042            | 1,080,452        |
| Reclassification                                | 9,700            | 0                | 9,700            |
| <b>Balance as at December 31, 2022 and 2023</b> | <b>1,081,110</b> | <b>9,042</b>     | <b>1,090,152</b> |
| <b>Accumulated depreciation</b>                 | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
| Balance as at December 31, 2021                 | 564,925          | 1,005            | 565,930          |
| Depreciation                                    | 243,112          | 3,015            | 246,127          |
| Balance as at December 31, 2022                 | 808,037          | 4,020            | 812,057          |
| <b>Depreciation</b>                             | <b>273,073</b>   | <b>3,013</b>     | <b>276,086</b>   |
| <b>Balance as at December 31, 2023</b>          | <b>1,081,110</b> | <b>7,033</b>     | <b>1,088,143</b> |
| <b>Net book value</b>                           | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
| Balance as at December 31, 2022                 | 273,073          | 5,022            | 278,095          |
| <b>Balance as at December 31, 2023</b>          | <b>0</b>         | <b>2,009</b>     | <b>2,009</b>     |

## TheraCann International Benchmark Corporation and Subsidiaries

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TheraCann's building is located in Panama Pacifico, Arraijan, Republic of Panama and it is comprised of both a two-level open office concept as well as a warehouse designed for large-scale manufacturer, quality assurance, packaging, and shipping of Sprout AI directly to the Panama Canal. The total building occupies 37,500 sq. ft (3,500 sq.m.).

Management regularly assesses the right-of-use asset for impairment indicators and has determined that no impairment is required for the year ended December 31, 2023 (2022: USDNil).

On January 31, 2024, management and lessor agreed not to exercise the extension option of the lease of the building and to terminate the lease effective April 30, 2024, the day on which the Group formally moves out.

### 9. Property, plant and equipment

Furniture, equipment and leasehold improvements are as follows:

Management regularly assesses the property, plant and equipment for impairment indicators and has determined that no impairment is required for the year ended December 31, 2023 (2022: USDNil).

| Cost                            | Furniture and Equipment | Leasehold improvements | Total    |
|---------------------------------|-------------------------|------------------------|----------|
| Balance as at December 31, 2021 | 872,863                 | 2,044                  | 874,907  |
| Additions                       | 14,890                  | 0                      | 14,890   |
| Disposals                       | (80,169)                | 0                      | (80,169) |
| Balance as at December 31, 2022 | 807,584                 | 2,044                  | 809,628  |
| Additions                       | 34,086                  | 0                      | 34,086   |
| Reclassification                | (6)                     | 0                      | (6)      |
| Balance as at December 31, 2023 | 841,664                 | 2,044                  | 843,708  |

| Accumulated depreciation        | Furniture and Equipment | Leasehold improvements | Total    |
|---------------------------------|-------------------------|------------------------|----------|
| Balance as at December 31, 2021 | 436,848                 | 114                    | 436,962  |
| Depreciation                    | 176,878                 | 341                    | 177,219  |
| Disposal                        | (57,730)                | 0                      | (57,730) |
| Balance as at December 31, 2022 | 555,996                 | 455                    | 556,451  |
| Depreciation                    | 166,763                 | 341                    | 167,104  |
| Reclassification                | (6)                     | 0                      | (6)      |
| Balance as at December 31, 2023 | 722,753                 | 796                    | 723,549  |

| Net book value                  | Furniture and Equipment | Leasehold improvements | Total   |
|---------------------------------|-------------------------|------------------------|---------|
| Balance as at December 31, 2022 | 251,588                 | 1,589                  | 253,177 |
| Balance as at December 31, 2023 | 118,911                 | 1,248                  | 120,159 |

# TheraCann International Benchmark Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

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### 10. Intangible assets

Patent, trademarks, license, and product development are as follows:

| Cost                                   | Patent        | Trademark       | License          | Product Development | Total            |
|--|---------------|-----------------|------------------|---------------------|------------------|
| Balance as at December 31, 2021        | 5,000         | 68,443          | 1,000,000        | 1,451,586           | 2,525,029        |
| Additions                              | 270           | 43,531          | 0                | 286,176             | 329,977          |
| Balance as at December 31, 2022        | 5,270         | 111,974         | 1,000,000        | 1,737,762           | 2,855,006        |
| <b>Additions</b>                       | <b>35,853</b> | <b>57,246</b>   | <b>0</b>         | <b>57,810</b>       | <b>150,909</b>   |
| <b>Adjustment</b>                      | <b>0</b>      | <b>(30,372)</b> | <b>0</b>         | <b>(25,453)</b>     | <b>(55,825)</b>  |
| <b>Balance as at December 31, 2023</b> | <b>41,123</b> | <b>138,848</b>  | <b>1,000,000</b> | <b>1,770,119</b>    | <b>2,950,090</b> |
| Accumulated amortization               | Patent        | Trademark       | License          | Product Development | Total            |
| Balance as at December 31, 2021        | 0             | 0               | 616,666          | 0                   | 616,666          |
| Amortization                           | 0             | 0               | 200,000          | 0                   | 200,000          |
| Balance as at December 31, 2022        | 0             | 0               | 816,666          | 0                   | 816,666          |
| <b>Amortization</b>                    | <b>0</b>      | <b>0</b>        | <b>183,334</b>   | <b>36,789</b>       | <b>220,123</b>   |
| <b>Balance as at December 31, 2023</b> | <b>0</b>      | <b>0</b>        | <b>1,000,000</b> | <b>36,789</b>       | <b>1,036,789</b> |
| Net book value                         |               |                 |                  |                     |                  |
| Balance as at December 31, 2022        | 5,270         | 111,974         | 183,334          | 1,737,762           | 2,038,340        |
| <b>Balance as at December 31, 2023</b> | <b>41,123</b> | <b>138,848</b>  | <b>0</b>         | <b>1,733,330</b>    | <b>1,913,301</b> |

Development costs consist of the costs of developing a prototype for its Sprout AI habitat and ETCH BioTrace exclusivity license agreement. As at December 31, 2023 the Sprout V2 started to be used.

Management regularly assesses intangible assets for impairment indicators and has determined that no impairment adjustment is required for the year ended December 31, 2023 (2022: USDNil).

### 11. Accounts payable and other

Accounts payable and other liabilities are as follows:

|                                | 2023             | 2022             |
|--------------------------------|------------------|------------------|
| Trade accounts payable         | 1,323,854        | 1,332,823        |
| Accrued liabilities            | 78,552           | 71,455           |
| Government remittances payable | 4,644            | 5,993            |
|                                | <b>1,407,050</b> | <b>1,410,271</b> |
| Due to related parties         | 148,250          | 142,226          |
|                                | <b>1,555,300</b> | <b>1,552,497</b> |

The Parent Company and lease provider London & Regional, agreed to a reduction of accounts payable through forgiveness of 6 invoices of USD20,000 for a total amount of USD120,000 that correspond to the post-pandemic period.

The reduction of USD120,000 has been recorded during 2023 as other incomes in the consolidated statement of loss and other comprehensive loss.

## **TheraCann International Benchmark Corporation and Subsidiaries**

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#### **12. Customer advances**

The customer advances are funds paid by customers in advance for delivery of Sprout AI Habitat Systems based on the sales agreements. All deposits are non-refundable. There are no external restrictions on the use of these deposits.

|                                    | <b>2023</b>      | <b>2022</b> |
|------------------------------------|------------------|-------------|
| Balance - Beginning of period      | <b>885,015</b>   | 1,656,540   |
| Deposits during the year           | <b>0</b>         | 507,390     |
| Revenue recognized during the year | <b>(112,700)</b> | (1,278,915) |
| <b>Balance - End of period</b>     | <b>772,315</b>   | 885,015     |

On March 14, 2022, the Group received payment from its client, IMAH, for the supply of equipment required for their ExtraKlab laboratory. For this project, the Group received a total of USD 75,444.

On April 6, 2022, the Group received a payment of USD 50,000 upon the signing of the project management contract with its client, Twin Berry.

On June 16, 2022, the Group received the last deposit for the purchase of Habitats Sprout AI, and other components, for the amount of USD 381,946.

During the year 2022, the Group formally delivered components and services to its clients for the "Ivory Medical" and "ExtraKlab" projects and management services, with a combined value of USD1,278,915.

During the year 2023, the Group formally delivered management services to its client IMAH for the amount of USD112,700.

#### **13. Loans**

##### **Canada Emergency Business Account ("CEBA") Loans**

During 2020, through its Canadian subsidiaries TheraCann Canada Benchmark Corporation and TheraCann Canada Inc. the Canadian subsidiaries received interest free loans of CAD\$40,000 each through the Canada Emergency Business Account (CEBA). As of December 31, 2023 the CEBA loans balance was USD60,186 (2022: USD47,074). Effective January 1, 2024, any outstanding balance on the term loans shall bear interest at a rate of 6% per annum. The term loans mature on December 31, 2026. Repaying the balance of the loan on or before January 18, 2024 will result in loan forgiveness of CAD\$10,000 for each loan.

The Canadian Subsidiaries (TheraCann Benchmark Corporation and TheraCann Canada Inc.) has discounted the Canada Emergency Business Account ("CEBA") loans using the effective interest method at a discount rate of 6% per annum over a repayment period of six years and 7 months. Upon recognition, USD12,483 was recognised as the fair value adjustment on the loan's payables during 2022.



## TheraCann International Benchmark Corporation and Subsidiaries

### Notes to the Consolidated Financial Statements

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Set out below is the total movement of the CEBA loans:

|  |               |
|--|---------------|
| Balance as at December 31, 2021        | 63,102        |
| Adjustment to present value            | (11,993)      |
| Repayments of CEBA Loans               | (4,035)       |
| Balance as at December 31, 2022        | 47,074        |
| Current portion                        | 0             |
| Long-term portion                      | 47,074        |
| Balance as at December 31, 2022        | 47,074        |
| Balance as at December 31, 2022        | 47,074        |
| <b>Repayment of CEBA Loans</b>         | <b>0</b>      |
| <b>Foreign exchange loss</b>           | <b>1,373</b>  |
| <b>Interest expense</b>                | <b>11,739</b> |
| <b>Balance as at December 31, 2023</b> | <b>60,186</b> |
| Current portion                        | 0             |
| Long-term portion                      | 60,186        |
| <b>Balance as at December 31, 2023</b> | <b>60,186</b> |

The following table sets out the maturity analysis of loan payments, showing the undiscounted principal payments to be made as at December 31, 2023:

|                       |               |
|-----------------------|---------------|
| 2026                  | 60,000        |
| <b>Total payments</b> | <b>60,000</b> |

### Promissory Notes

On November 1, 2019, TheraCann Canada Inc. a subsidiary of the Group signed two 10 years Promissory Note agreements with Shawn Halter and Robert Bolton for CAD\$10,000 and CAD\$20,000 respectively. Both Shawn Halter and Robert Bolton are directors of the Group and are considered related parties. The notes bear interest of 8% payable annually.

On November 28, 2019, TheraCann Canada Inc. a subsidiary of the Group signed a 10-year promissory note agreement with Julie-Anne Bolton, a related party, for CAD\$13,000. The note bear interest of 8% payable annually.

The Subsidiary (TheraCann Canada Inc.) has discounted the promissory notes using the effective interest method at a discount rate of 8% per annum over a repayment period of ten years. Upon recognition, USD7,920 was recognised as the fair value adjustment on the promissory notes during 2022.

| Shareholder       | Maturity  | Rate  | 2023          | 2022          |
|-------------------|-----------|-------|---------------|---------------|
| Julie-Anne Bolton | 29-Nov-29 | 8.00% | 8,116         | 6,863         |
| Robert Bolton     | 2-Nov-29  | 8.00% | 15,022        | 10,523        |
| Shawn Halter      | 2-Nov-29  | 8.00% | 10,494        | 8,068         |
|                   |           |       | <b>33,632</b> | <b>25,454</b> |

# TheraCann International Benchmark Corporation and Subsidiaries

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Set out below is the total movement of the Promissory Notes:

|                                 |         |
|---------------------------------|---------|
| Balance as at December 31, 2021 | 38,977  |
| Adjustment to present value     | (7,608) |
| Repayments of promissory notes  | (5,915) |
| Balance as at December 31, 2022 | 25,454  |
| Current portion                 | 0       |
| Long-term portion               | 25,454  |
| Balance as at December 31, 2022 | 25,454  |
| Balance as at December 31, 2022 | 25,454  |
| Foreign exchange loss           | 764     |
| Interest expense                | 7,414   |
| Balance as at December 31, 2023 | 33,632  |
| Current portion                 | 0       |
| Long-term portion               | 33,632  |
| Balance as at December 31, 2023 | 33,632  |

## Loan Agreement

In March 2022, the Sprout AI Inc. a Subsidiary of the Group entered into a Loan Agreement with Mr. Shawn Halter, whereby the Subsidiary borrowed USD520,000 at a rate of 6% to be repaid over a three-year period. The Loan Agreement was amended in April 2022 to reflect updated terms for repayment. The Loan Agreement was amended in April 2023 and December 2023 to reflect updated terms for repayment. The loan will be repaid starting on August 31, 2023, and over a period of forty months with progressive monthly installments from USD5,000 to USD30,321. The loan will be extinguished in full in December 2026.

The Subsidiary (Sprout AI Inc.) has discounted the loan using the effective interest method at a discount rate of 6% per annum over a repayment period of three years. Upon recognition, USD42,272 was recognized as the fair value adjustment on the loan payable. Fair value adjustment on loan payable represents the difference between the loan proceeds received in March 2022 and the time value of money of the future repayments discounted at an inputted interest rate of 6% per annum, at initial recognition of the loan agreement.

Set out below is the total movement of the loan agreement:

|                                     |          |
|-------------------------------------|----------|
| Balance as at December 31, 2021     | 0        |
| Proceeds received during the period | 520,000  |
| Adjustment to present value         | (42,272) |
| Interest expense                    | 24,431   |
| Balance as at December 31, 2022     | 502,159  |
| Current portion                     | 50,236   |
| Long-term portion                   | 451,923  |
| Balance as at December 31, 2022     | 502,159  |

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**(Expressed In United States Dollars)**

|  |                |
|--|----------------|
| Balance as at December 31, 2022        | 502,159        |
| Repayment of loan to shareholder       | (5,001)        |
| Interest expense                       | 30,846         |
| <b>Balance as at December 31, 2023</b> | <b>528,004</b> |
| Current portion                        | 22,603         |
| Long-term portion                      | 505,401        |
| <b>Balance as at December 31, 2023</b> | <b>528,004</b> |

The following table sets out the maturity analysis of loan payments, showing the undiscounted principal payments to be made as at December 31, 2023:

|                       |                |
|-----------------------|----------------|
| 2024                  | 27,328         |
| 2025                  | 159,904        |
| 2026                  | 356,156        |
| 2027                  | 6,002          |
| 2028                  | 6,500          |
| 2029                  | 5,971          |
| <b>Total payments</b> | <b>561,861</b> |

Set out below is the total movement of the loans:

|   | <b>2023</b>    | <b>2022</b>    |
|---|----------------|----------------|
| Balance as at beginning of the period     | 574,687        | 102,079        |
| Proceeds received during the period       | 0              | 520,000        |
| Adjustment to present value               | 0              | (62,675)       |
| Repayments of loans                       | (5,001)        | (9,148)        |
| Foreign exchange loss                     | 2,137          | 0              |
| Interest expense                          | 49,999         | 24,431         |
| <b>Balance as at ending of the period</b> | <b>621,822</b> | <b>574,687</b> |

|                   | <b>2023</b>    | <b>2022</b>    |
|-------------------|----------------|----------------|
| Current portion   | 22,603         | 50,236         |
| Long-term portion | 599,219        | 524,451        |
|                   | <b>621,822</b> | <b>574,687</b> |

Set out below is the resume of the loans:

|                  | <b>2023</b>    | <b>2022</b>    |
|------------------|----------------|----------------|
| CEBA Loans       | 60,186         | 47,074         |
| Promissory Notes | 33,632         | 25,454         |
| Loan Agreement   | 528,004        | 502,159        |
|                  | <b>621,822</b> | <b>574,687</b> |

**14. Convertible debentures**

**Series A, B and C**

Through a series of closings in March 2018, May 2018, and July 2018, the Parent Company (TIBC) closed a brokered private placement issuance of 377 unsecured convertible debentures ("convertible

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debentures”) with a face value of CAD\$10,000 per debenture for gross proceeds of CAD\$3,770,000. According to their terms the convertible debentures mature 24 months from closing and bear interest at a rate of 8% per annum. The convertible debentures are convertible at any time one year after issue date at the holder’s option into common shares of the Company at CAD\$7.50 per common share.

Upon a liquidity event (means the listing of the common shares on a stock exchange; the sale of all or substantially all of the issued and outstanding common shares or all or substantially all of the assets of the Borrower for cash proceeds or for such securities provided that such securities are listed and posted for trading in a stock exchange; or the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving the Borrower with or into another entity pursuant to which the common shares of the resulting issuer are listed on a stock exchange), the convertible debentures automatically convert into common shares of the Parent Company at a 25% discount to the liquidity event price per common share. Should the term of the convertible debentures reach maturity, interest shall be payable in cash or common shares, at the conversion price, at the option of the holder. If the convertible debentures convert at anytime prior to maturity, interest is payable in common shares at the conversion price.

One director received 2,000 common share purchase warrants for each convertible debenture resulting in the issuance 10,000 common share purchase warrants. Each warrant can be exercised into a common share from the date of grant to the earlier of; (a) 24 months from date of grant; and (b) 12 months following any liquidity event (the “Expiry Date”). The warrants are exercisable anytime prior to the Expiry Date at CAD\$7.50 per share or, upon a liquidity event, the warrants are exercisable at a 25% discount to the liquidity event price per common share.

#### **Employee and advisor issuance**

On February 22, 2019, the Parent Company closed a private placement issuance to employees and advisors of Parent company of 306 convertible debentures with a face value of CAD\$1,000 per debenture for gross proceeds of CAD\$306,000. The convertible debentures mature 24 months from closing and are non-interest bearing. The convertible debentures are convertible at any time at the holder’s option into common shares of the Company at CAD\$5.00 per common share. Upon a liquidity event, the convertible debentures automatically convert into common shares of the Parent Company at a 50% discount to the liquidity event price per common share.

On July 11, 2019, the Parent Company closed a private placement issuance to employees and advisors of TheraCann of 153 convertible debentures with a face value of CAD\$1,000 per debenture for gross proceeds of CAD\$153,000. The convertible debentures mature 24 months from closing and are non-interest bearing. The convertible debentures are convertible at any time at the holder’s option into common shares of the Company at CAD\$5.00 per common share. Upon a liquidity event, the convertible debentures automatically convert into common shares of the Company at a 50% discount to the liquidity event price per common share.

#### **Bridge Round**

On April 24 and July 7, 2019, the Parent Company closed a private placement issuance of 2,635 convertible debentures with a face value of CAD\$1,000 per debenture for gross proceeds of CAD\$2,635,000. The convertible debentures mature 24 months from closing and bear interest at a rate of 8% per annum. The convertible debentures are convertible at any time one year after issue date at the holder’s option into common shares of the Parent Company at CAD\$7.00 per common share. Upon a liquidity event, the convertible debentures automatically convert into common shares

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

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of the Parent Company with the lesser of a 20% discount to the liquidity event price per common share or the value that would be attributed to each outstanding common share if the enterprise value of the corporation at the time of liquidity event was calculated as USD60,000,000.

#### **Summary of Warrant Terms (Debenture Holder Warrants)**

The Parent Company provides its holders with stand-alone transferrable warrants (Series A, B, C) as additional compensation for their investment. Each warrant entitles the warrant holder to purchase 1 common share of Parent Company on the earlier of (i) 2 years from issuance; and (ii) 1 year after the Liquidity Event. Based on the representations made, the terms for each series A, B and C of issuances were identical with the exception of the issuance and maturity dates.

The Notes provide their holders with stand-alone transferrable warrants ((Bridge-Round 1 and 2) as additional compensation for their investment. Each warrant entitles the warrant holder to purchase 1 common share of The Parent Company on the earlier of (i) 2 years from issuance; and (ii) 18 months after the Liquidity Event.

#### **Summary of Warrant Terms (Broker Warrants)**

In addition to the warrants awarded to the holders, The Parent Company also issued 15,000 warrants to agents for supporting the issuances of the Notes. The terms and conditions of the Broker Warrants are the same as those of the Holder Warrants. Conversion rights are subject to adjustment if the Parent Company subdivides, re-divides or changes its outstanding common shares. If any such changes are implemented which result in the dilution or concentration of shares, the conversion price will be adjusted accordingly.

The convertible debentures are a compound financial instrument which includes a debt liability component and conversion option derivative liability. The debt liability component has been classified as a financial liability at amortized cost. The debt liability component represents the present value of the principal payments over the life of the financial instrument discounted at an approximate rate available to the Parent Company for similar debt without a conversion feature at the date the convertible debentures were issued.

The conversion option derivative liability has been classified as a financial liability held at fair value through loss and other comprehensive loss. The fair value of the conversion option derivative liability was calculated as the difference between the fair value of the convertible debentures with the conversion option and the fair value of the convertible debentures without the conversion option. The fair value of the conversion option derivative liability will be calculated each period end with the difference being recognized in the statement of loss and other comprehensive loss.

The convertible debentures expired on July 31, 2023 therefore the convertible component is zero and the convertible debentures is full liability at amortized cost (sum of principal plus interest) at valuation date as of December 31, 2023.

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The Debentures Holders and the Parent Company have agreed to amend the Debentures to extend the Maturity Date of July 31, 2023, to July 11, 2024.

|                              | Seria A   | Seria B   | Seria C   | Director   | Bridge-Round | Employee  | Total      |
|------------------------------|-----------|-----------|-----------|------------|--------------|-----------|------------|
| Issuance date                | 3/29/2018 | 5/3/2018  | 7/31/2018 | 10/25/2018 | 7/11/2019    | 2/22/2019 | N/A        |
| Issued #                     | 35        | 230       | 112       | 5          | 2,365        | 459       | 3,206      |
| Gross Amount (CAD)           | 350,000   | 2,300,000 | 1,120,000 | 50,000     | 2,365,000    | 459,300   | 6,644,300  |
| Gross Amount (USD)           | 257,296   | 1,690,803 | 823,348   | 36,757     | 1,738,587    | 337,646   | 4,884,437  |
| Interest rate                | 8%        | 8%        | 8%        | 8%         | 8%           | 0%        | N/A        |
| Original Term                | 24        | 24        | 24        | 24         | 24           | 24        | N/A        |
| Maturity                     | 7/31/2023 | 7/31/2023 | 7/31/2023 | 7/31/2023  | 7/31/2023    | 7/31/2023 | N/A        |
| Fair value at issuance (USD) |           |           |           |            |              |           |            |
| Debt liability               | 341,871   | 2,246,580 | 1,077,184 | 47,147     | 2,131,354    | 305,345   | 6,149,481  |
| Conversion option liability  | 146,713   | 964,108   | 471,107   | 20,960     | 774,476      | 363,015   | 2,740,379  |
| Warrant liability            | 228,801   | 1,503,549 | 732,163   | 32,685     | 544,600      | 0         | 3,041,798  |
| Balance December 31, 2022    | 717,385   | 4,714,237 | 2,280,454 | 100,792    | 3,450,430    | 668,360   | 11,931,658 |

|                              | Seria A   | Seria B   | Seria C   | Director   | Bridge-Round | Employee  | Total      |
|------------------------------|-----------|-----------|-----------|------------|--------------|-----------|------------|
| Issuance date                | 3/29/2018 | 5/3/2018  | 7/31/2018 | 10/25/2018 | 7/11/2019    | 2/22/2019 | N/A        |
| Issued #                     | 35        | 230       | 112       | 5          | 2,365        | 459       | 3,206      |
| Gross Amount (CAD)           | 350,000   | 2,300,000 | 1,120,000 | 50,000     | 2,365,000    | 459,300   | 6,644,300  |
| Gross Amount (USD)           | 271,460   | 1,783,420 | 860,384   | 38,750     | 1,897,676    | 361,699   | 5,213,389  |
| Interest rate                | 8%        | 8%        | 8%        | 8%         | 8%           | 0%        | N/A        |
| Original Term                | 24        | 24        | 24        | 24         | 24           | 24        | N/A        |
| Extension term               | 24        | 24        | 24        | 24         | 24           | 24        | N/A        |
| Fair value at issuance (USD) |           |           |           |            |              |           |            |
| Debt liability               | 759,805   | 4,987,334 | 2,413,029 | 105,565    | 3,768,687    | 709,447   | 12,743,867 |
| Conversion option liability  | 147,148   | 274,394   | (181,380) | 62,502     | (516,235)    | 347,804   | 134,233    |
| Warrant liability            | 13,624    | 71,476    | 26,449    | 3,028      | 20,927       | 18,529    | 154,033    |
| Balance December 31, 2023    | 920,577   | 5,333,204 | 2,258,098 | 171,095    | 3,273,379    | 1,075,780 | 13,032,133 |

|                            | Debt Liability | Conversion option derivative liability | Warrant liability | Total      |
|----------------------------|----------------|--|-------------------|------------|
| Balance, December 31, 2022 | 6,149,481      | 2,740,379                              | 3,041,798         | 11,931,658 |
| Accretion                  | 428,122        | 0                                      | 0                 | 428,122    |
| Change fair value          | 0              | (2,733,177)                            | 2,867,410         | 134,233    |
| Foreign exchange effect    | 391,289        | (7,202)                                | 154,033           | 538,120    |
| Balance, December 31, 2023 | 6,968,892      | 0                                      | 6,063,241         | 13,032,133 |

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|                            | <b>Debt Liability</b> | <b>Conversion option<br/>derivative liability</b> | <b>Warrant liability</b> | <b>Total</b> |
|----------------------------|-----------------------|---|--------------------------|--------------|
| Balance, December 31, 2021 | 5,061,126             | 2,543,591   | 2,510,822                | 10,115,539   |
| Accretion                  | 1,529,230             | 0   | 0                        | 1,529,230    |
| Change fair value          | 0                     | 354,105   | 705,597                  | 1,059,702    |
| Foreign exchange effect    | (440,875)             | (157,317)   | (174,621)                | (772,813)    |
| Balance, December 31, 2022 | 6,149,481             | 2,740,379   | 3,041,798                | 11,931,658   |

**15. Lease liabilities**

The Group Lease a commercial space and office space located at the International Business Park in Panamá Pacifico. The Group's lease commenced in January 2019. The Group has an option to extend the lease beyond the three-year non-cancellable term for an additional term of three years.

The Group has also recognized a lease liability for those leases, which was initially measured at the present value of the future lease payments, discounted using the Group's incremental borrowing rate of 1.3% and 2% for the leased building and office equipment, respectively. Interest expense on the lease liabilities is included in the statements of loss and other comprehensive loss.

The following table details the discounted cash flows and contractual maturities of the Group's lease obligations, as at December 31, 2023:

|  | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
|--|------------------|------------------|------------------|
| Balance as at December 31, 2021        | 555,977          | 8,063            | 564,040          |
| Interest                               | 5,594            | 129              | 5,723            |
| Adjustment                             | (31,230)         | 0                | (31,230)         |
| Lease payments                         | (250,128)        | (3,108)          | (253,236)        |
| Balance as at December 31, 2022        | 280,213          | 5,084            | 285,297          |
| <b>Interest</b>                        | <b>26,496</b>    | <b>129</b>       | <b>26,625</b>    |
| <b>Lease payments</b>                  | <b>(306,709)</b> | <b>(3,169)</b>   | <b>(309,878)</b> |
| <b>Balance as at December 31, 2023</b> | <b>(0)</b>       | <b>2,044</b>     | <b>2,044</b>     |
| Current portion                        |                  | 2,044            | 2,044            |
| Long-term portion                      |                  | 0                | 0                |
| <b>Balance as at December 31, 2023</b> |                  | <b>2,044</b>     | <b>2,044</b>     |

The following table sets out the maturity analysis of lease payments, showing the discounted lease payments to be made as at December 31, 2023:

**2023**

|                              |              |
|------------------------------|--------------|
| 2024                         | <b>2,072</b> |
| Total contractual cash flows | <b>2,072</b> |
| Interest                     | <b>(28)</b>  |
| Lease liabilities            | <b>2,044</b> |

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#### 2022

|                              |         |
|------------------------------|---------|
| 2023                         | 285,297 |
| 2024                         | 2,072   |
| Total contractual cash flows | 287,369 |
| Interest                     | (2,072) |
| Lease liabilities            | 285,297 |

On January 31, 2024, management and lessor agreed not to exercise the extension option of the lease of the building and to terminate the lease effective April 30, 2024 the day on which the Group formally moves out.

#### 16. Share capital

Share capital are as follows:

|                                       | Number of common<br>shares | Share capital amounts |
|---------------------------------------|----------------------------|-----------------------|
| Balance at December 31, 2022 and 2023 | 10,000,000                 | 10,000                |

On April 18, 2018, the Parent Company increased its share capital to USD10,000, divided into 10,000,000 common shares with a nominal value of USD 0.001 each, as per public deed 9358, registered in the Public Registry of Panama, representing the share capital, authorised, issued and outstanding.

#### 17. Capital stock reserve

During the year ended December 31, 2021, the Group issued 10,000,000 of PB warrants pursuant to Reverse Take-Over (RTO) with an estimated fair value of USD25,351 using the Black-Scholes option pricing model (notes 1 and 4). The reserve is increased by the fair value on issuance of warrants and is reduced by corresponding amounts when the warrants are exercised.

#### 18. Revenue

Revenue from external customers are as follows:

|                              | 2023           | 2022             |
|------------------------------|----------------|------------------|
| Sale of products:            |                |                  |
| Habitats                     | 0              | 1,279,548        |
| Service revenue:             | 2023           | 2022             |
| Consulting services          | 162,382        | 625,000          |
| Advisory consulting services | 0              | 94,347           |
| Ongoing support services     | 0              | 42,414           |
| Managed service revenue      | 44             | 417              |
| Sponsorship fund             | 0              | 25,997           |
|                              | 162,426        | 788,175          |
| <b>Total revenues</b>        | <b>162,426</b> | <b>2,067,723</b> |



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Revenue from external customers is derived as product revenue earned from end users who purchase our goods through the Group's primary distributors, TheraCann International Benchmark Corporation Subsidiaries. Revenue may also be derived from storage of products on behalf of end users if the end user is not able to pay final balances prior to shipment. The Subsidiary Sprout AI, S. A. does not mark up the cost of the Group's goods. The primary distributors receive payments from end user to install, operate, and maintain the Group's goods at the end user location.

Freight costs of the Group's goods are paid either by the Group or the end user. The Group recognizes product and storage on a gross basis.

Products are paid by non-refundable deposits. The percentage of deposit will vary depending on size of order, time to delivery order, and shipping constraints. Typically, orders are paid with a deposit to commence order, and the remaining balance due prior to shipment to the customer's chosen destination.

Deferred revenue is recorded for the period of time between when the order is placed and when the order has been shipped to the customer's chosen destination. Storage is to be paid monthly and is due on receipt of invoice.

Other revenues are from management, consulting, and software development services and are recognized in accordance with their respective agreements.

#### **19. Other comprehensive income (OCI)**

The following table set out the comparison of other comprehensive income (OCI) between the period ended on December 31, 2023, and the December 31, 2022:

| <b>OCI components</b>                     | <b>2023</b>  | <b>2022</b> |
|---|--------------|-------------|
| Gains from foreign exchange on debentures | <b>0</b>     | 174,173     |
| Gains from foreign currency translation   | <b>8,734</b> | 25,162      |
|   | <b>8,734</b> | 199,335     |

#### **20. General and administrative expenses**

General and administrative expenses are as follows:

|  | <b>2023</b>      | <b>2022</b> |
|--|------------------|-------------|
| Payroll expenses                         | <b>642,713</b>   | 734,120     |
| Professional fess                        | <b>408,111</b>   | 519,421     |
| Office administration and other expenses | <b>269,963</b>   | 163,903     |
| Dues and subscriptions                   | <b>135,570</b>   | 32,105      |
| Licensing fees                           | <b>9,347</b>     | 511         |
| Bank charges                             | <b>7,599</b>     | 7,843       |
| Advertising and promotion                | <b>5,713</b>     | 137,372     |
| Insurance                                | <b>3,270</b>     | 54,819      |
|  | <b>1,482,286</b> | 1,650,094   |

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As of December 31, 2023, the total employees are 16 (2022: 18).

**21. Contingencies and commitments**

a) The Group is committed to equipment rental payments as following:

|              |              |
|--------------|--------------|
| 2024         | 2,072        |
| <b>Total</b> | <b>2,072</b> |

- b) The Parent Company has received statements of claim with respect to allegations of wrongful dismissal by certain employees in the amount of USD318,958. In the opinion of the Parent Company's management, the claims are without merit and any settlement will not have a material impact on the consolidated financial position, operations or consolidated cash flows of the Group. Accordingly, no provision has been recorded in these consolidated financial statements.
- c) The Subsidiary Sprout AI, S. A. has received statements of claim with respect to service billing by the previous payroll service provider in the amount of USD81,343. Accordingly, a provision of such amount has been recorded in accounts payable and accrued liabilities on the consolidated statements of financial position.
- d) The Parent Company has received a claim by debenture holder, the claim alleges that the Parent Company owes the amount of USD2,843,792 on two debentures agreements issued in 2018 (USD1,000,000) and 2019 (USD2,000,000) inclusive of interest. The Parent Company has claimed against its debenture holder for the total amount of USD90,000,000 for loss of capitalization and USD50,000,000 for loss of economic opportunity, punitive damages, and full indemnification of cost. In the opinion of the Parent Company's management, the claims are without merit and any settlement will not have a material impact on the consolidated financial position, operations or consolidated cash flows of the Group. Accordingly, no provision has been recorded in these consolidated financial statements.
- e) The Subsidiary TheraCann Australia Benchmark Pty Ltd. has received a counterclaimed against its Temporal Staffing Recruitment for the total amount of USD49,580. The Subsidiary has claimed against its Temporal Staffing Recruitment for the total amount of USD66,486. In the opinion of the Subsidiary's management, the counter claims are without merit and any settlement will not have a material impact on the consolidated financial position, operations or consolidated cash flows of the Group. Accordingly, no provision has been recorded in these consolidated financial statements.
- f) As of December 31, 2023, the Subsidiary Sprout AI, S. A. has an outstanding account payable (payment agreement) to the Social Security Fund of Panama in the amount of USD95,938.

**22. Financial instruments and risk management**

The Group's financial instruments consist of cash, accounts receivable and other, due from related parties, accounts payable and accrued liabilities, loan payable and due to related parties.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the year ended December 31, 2023**  
**(Expressed In United States Dollars)**

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**Credit risk and economic dependence**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk on the accounts receivable from its customers and due from related parties. In order to reduce its credit risk, the Group has adopted credit policies which include the analysis of the financial position of its customers and regular review of their credit limits.

As of December 31, 2023, the Company had USD42,440 (2022: USD44,927) of financial assets carried at amortized cost which were subject to expected credit loss assessment in accordance with IFRS 9.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Group will be able to obtain required financing in the future on acceptable terms. The Group anticipates it will need additional capital in the future to finance ongoing operations, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Group has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to fund its operations, although the Group has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Group in creating revenue, cash flows or earnings. While the Group has been successful in securing parent company loans in the past, there is no assurance that it will be able to do so in the future. All the Group's liabilities, with the exception of the lease liabilities and non-current portion of the long-term debt, are due within the next 12 months.

| <b>Payment Due by Year</b>      | <b>Recognized in Consolidated Financial Statements</b> | <b>Total</b>      | <b>Less than 1 year</b> | <b>2-3 years</b> | <b>4-5 years</b> | <b>More than 5 years</b> |
|---------------------------------|--|-------------------|-------------------------|------------------|------------------|--------------------------|
| Accounts payable and other      | Yes-Liability  | 1,555,300         | 1,555,300               | 0                | 0                | 0                        |
| Accrued and payroll liabilities | Yes-Liability  | 175,905           | 175,905                 | 0                | 0                | 0                        |
| Convertible debentures          | Yes-Liability  | 13,032,133        | 13,032,133              | 0                | 0                | 0                        |
| Loans                           | Yes-Liability  | 621,822           | 102,289                 | 501,060          | 12,502           | 5,971                    |
| Minimum lease payments          | Yes-Liability  | 2,044             | 2,044                   | 0                | 0                | 0                        |
| <b>As of December 31, 2023</b>  |  | <b>15,387,204</b> | <b>14,867,671</b>       | <b>501,060</b>   | <b>12,502</b>    | <b>5,971</b>             |

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the year ended December 31, 2023**  
**(Expressed In United States Dollars)**

| Payment Due by Year             | Recognized in Consolidated Financial Statements | Total             | Less than 1 year  | 2-3 years      | 4-5 years     | More than 5 years |
|---------------------------------|---|-------------------|-------------------|----------------|---------------|-------------------|
| Accounts payable and other      | Yes-Liability                                   | 1,552,497         | 1,552,497         | 0              | 0             | 0                 |
| Accrued and payroll liabilities | Yes-Liability                                   | 132,729           | 132,729           | 0              | 0             | 0                 |
| Convertible debentures          | Yes-Liability                                   | 11,931,658        | 11,931,658        | 0              | 0             | 0                 |
| Loans                           | Yes-Liability                                   | 574,687           | 68,077            | 488,571        | 12,208        | 5,831             |
| Minimum lease payments          | Yes-Liability                                   | 285,297           | 283,247           | 2,050          | 0             | 0                 |
| <b>As of December 31, 2022</b>  |   | <b>14,476,868</b> | <b>13,968,208</b> | <b>490,621</b> | <b>12,208</b> | <b>5,831</b>      |

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk is the risk to the Group's earnings that arises from volatility in foreign exchange rates. The Group may have contracts with clients to receive fees in currencies other than its measurement currency. This may have an adverse effect on the value of future revenues and assets dominated in currencies other than the United States Dollars, absent any Group specific event.

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TIBC:

|                        | 2023       | 2022       |
|------------------------|------------|------------|
| Convertible debentures | 15,197,791 | 16,231,250 |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for SAI:

|                            | 2023    | 2022    |
|----------------------------|---------|---------|
| Cash                       | 2,929   | (227)   |
| Accounts payable and other | 486,669 | 613,632 |
| Loans                      | 665,825 | 627,394 |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TCAN and TCI:

|                            | 2023    | 2022   |
|----------------------------|---------|--------|
| Cash                       | 183     | 178    |
| Accounts payable and other | 56,472  | 60,232 |
| Customer advances          | 63,839  | 63,839 |
| Loans                      | 124,084 | 98,232 |

## TheraCann International Benchmark Corporation and Subsidiaries

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed In United States Dollars)

Included in the undernoted accounts are the following Australian Dollar (AUD) Balances for TAUS and SAA:

|                            | 2023      | 2022      |
|----------------------------|-----------|-----------|
| Cash                       | 8,746     | 1,547     |
| Accounts payable and other | 142,493   | 53,208    |
| Customer advances          | 1,066,707 | 1,226,864 |

Included in the undernoted accounts are the following South African Rand (ZAR) Balances for TAFR:

|                            | 2023   | 2022   |
|----------------------------|--------|--------|
| Cash                       | 0      | 54,073 |
| Accounts payable and other | 44,941 | 31,747 |

### Interest rate risk

The Group has deposits in financial institutions. The Group is exposed to reductions in interest rates, which could impact expected current and future returns. As at December 31, 2023, the amount of USD34,244 (2022: USD2,845) was held in deposits with financial institutions.

### December 31, 2023

|                             | Floating Rate Financial Instruments | Fixed Rate Financial Instruments | Non-interest bearing | Total      |
|-----------------------------|-------------------------------------|----------------------------------|----------------------|------------|
| Financial assets            | 34,244                              | 0                                | 10,000               | 44,244     |
|                             | 34,244                              | 0                                | 10,000               | 44,244     |
| Financial liabilities       |                                     |                                  |                      |            |
| Other financial liabilities | 0                                   | 13,655,999                       | 772,315              | 14,428,314 |

### December 31, 2022

|                             | Floating Rate Financial Instruments | Fixed Rate Financial Instruments | Non-interest bearing | Total      |
|-----------------------------|-------------------------------------|----------------------------------|----------------------|------------|
| Financial assets            | 2,845                               | 0                                | 10,000               | 12,845     |
|                             | 2,845                               | 0                                | 10,000               | 12,845     |
| Financial liabilities       |                                     |                                  |                      |            |
| Other financial liabilities | 0                                   | 12,791,642                       | 885,015              | 13,676,657 |

### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest risk or currency risk. The Group is not exposed to any other price risk.

### Fair value measurements of financial assets and liabilities

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

## TheraCann International Benchmark Corporation and Subsidiaries

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed In United States Dollars)

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value and carrying value of financial assets and liabilities are as a follow:

| <b>Financial assets</b>       | <b>2023</b>           |                   | <b>2022</b>           |                   |
|-------------------------------|-----------------------|-------------------|-----------------------|-------------------|
|                               | <b>Carrying value</b> | <b>Fair value</b> | <b>Carrying value</b> | <b>Fair value</b> |
| Cash                          | 34,244                | 34,244            | 2,845                 | 2,845             |
| Accounts receivable and other | 0                     | 0                 | 30,527                | 30,527            |
| Due from related parties      | 42,440                | 42,440            | 229,675               | 229,675           |
|                               | <b>76,684</b>         | <b>76,684</b>     | <b>263,047</b>        | <b>263,047</b>    |

| <b>Financial liabilities</b>             | <b>2023</b>           |                   | <b>2022</b>           |                   |
|--|-----------------------|-------------------|-----------------------|-------------------|
|  | <b>Carrying value</b> | <b>Fair value</b> | <b>Carrying value</b> | <b>Fair value</b> |
| Accounts payable and accrued liabilities | 1,407,050             | 1,407,050         | 1,410,271             | 1,410,271         |
| Accrued and payroll liabilities          | 175,905               | 175,905           | 132,729               | 132,729           |
| Customer advances                        | 772,315               | 772,315           | 885,015               | 885,015           |
| Due to related parties                   | 148,250               | 148,250           | 142,226               | 142,226           |
| Loans                                    | 621,822               | 621,822           | 574,687               | 574,687           |
| Lease liabilities                        | 2,044                 | 2,044             | 285,297               | 285,297           |
| Income tax payable                       | 5,429                 | 5,429             | 0                     | 0                 |
| Convertible debentures                   | 13,032,133            | 11,074,781        | 11,931,658            | 10,395,226        |
|  | <b>16,164,948</b>     | <b>14,207,596</b> | <b>15,361,883</b>     | <b>13,825,451</b> |

|                                       |        |        |        |        |
|---------------------------------------|--------|--------|--------|--------|
| Capital stock reserve-broker warrants | 25,351 | 71,647 | 25,351 | 31,885 |
|---------------------------------------|--------|--------|--------|--------|

### 23. Related party balances and transactions

#### a) Transactions with key management personnel and shareholders

Transactions with key management personnel of the Group include certain members of the Group's Executive Management Team and the Board of Directors and Shareholders which have the responsibilities for strategic planning, oversight and control of the Group. During the period, the total compensation paid to the executive management team and Board of Directors and shareholders amounted to USD261,240 (2022 USD:538,716).

#### b) Other related party balances:

| <b>Due from related parties</b> | <b>2023</b>   | <b>2022</b>    |
|---------------------------------|---------------|----------------|
| TheraCann USA Benchmark Corp.   | 0             | 178,369        |
| Flashpoint Components, S.A.     | 0             | 8,007          |
| Carlos Zapata                   | 0             | 2,000          |
| Christopher Bolton              | 42,440        | 41,299         |
|                                 | <b>42,440</b> | <b>229,675</b> |

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the year ended December 31, 2023**  
**(Expressed In United States Dollars)**

|                               |                |                |
|-------------------------------|----------------|----------------|
| <b>Due to related parties</b> | <b>2,023</b>   | <b>2022</b>    |
| Christopher Bolton            | 106,149        | 139,624        |
| Colleen McKay                 | 25,363         | 2,602          |
| Dean Callaway                 | 16,738         | 0              |
|                               | <b>148,250</b> | <b>142,226</b> |
| <b>Loans to shareholders</b>  | <b>2,023</b>   | <b>2022</b>    |
| Julie Bolton                  | 8,116          | 6,863          |
| Robert Bolton                 | 15,022         | 10,523         |
| Shawn Halter                  | 538,498        | 510,226        |
|                               | <b>561,636</b> | <b>527,612</b> |
| <b>Accrued liabilities</b>    | <b>2,023</b>   | <b>2022</b>    |
| Christopher Bolton            | 94,156         | 94,156         |

The amounts due from/to related parties are unsecured, non-interest bearing and due on demand.

## **24. Income taxes**

TheraCann International Benchmark Corp. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.71-18 March 5, 2018.

Sprout AI, S.A. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.339-19 from October 7, 2019.

ETCH Biotrace S.A. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.324-19 from September 10, 2019.

One System One Solution, S.A. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.154-19 from June 5, 2019. During 2023 the company One System One Solution paid taxes for the amount of USD10,858 corresponding to previous year 2022.

A reconciliation of income taxes at statutory rates to reported taxes is as follows

|                                 |               |             |
|---------------------------------|---------------|-------------|
|                                 | <b>2023</b>   | <b>2022</b> |
| Income tax expense              | 0             | 0           |
| Adjustments of prior periods    | 10,858        | 0           |
| <b>Total income tax expense</b> | <b>10,858</b> | <b>0</b>    |

TheraCann International Benchmark Corp. (The Parent company) and the Subsidiaries Sprout AI S.A., One System One Solution, S.A. ETCH Biotrace, S.A. are domiciled in Panama Pacific especial tax zone and present tax-exempt status where they have benefits from the provisions of Law 41 of July 20, 2004, which establishes a special tax regime providing tax exemptions for the specific activities detailed in the aforementioned law, and these exemptions are applicable to the company not subject to corporate income tax on any of its domestic and foreign sales. This tax-exempt status expires in 2027 and can be further extended under current tax legislation.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

**(Expressed In United States Dollars)**

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#### Transfer prices

Law 33 of June 30, 2010, modified by Law 52 of August 28, 2012, added Chapter IX to Title I of Book Four of the Fiscal Code, called Standards of Adaptation to Treaties or Agreements to Avoid Double Taxation International, establishing the transfer pricing regime applicable to taxpayers who carry out transactions with related parties residing abroad. These taxpayers must determine their income, costs and deductions for tax purposes in their income statements, based on the price or amount that would have been agreed upon by independent parties under similar circumstances under conditions of free competition, using the methods established in said Law 33. This law establishes the obligation to present an informative declaration of operations with related parties (Report 930 implemented by the DGI) within the six months following the close of the corresponding fiscal year, as well as counting, at the time of presentation of the report, with a transfer pricing study that supports what was declared through Report 930. This study must be submitted at the request of the DGI, within a period of 45 days counted from the notification of the requirement. The non-presentation of the informative declaration will result in the application of a fine equivalent to one percent (1%) of the total value of the operations carried out with related parties.

Sprout AI Inc., TheraCann Canada Benchmark Corporation and TheraCann Canada Inc. are subject to the basic federal tax rates of 38% according to the legislation of the government of Canada. During the year 2023, TheraCann Canada Benchmark Corp. withheld GST taxes totaling USD3,684 TheraCann Canada Inc. withheld GST taxes totaling USD3,970.

Sprout AI Australia PTY, TheraCann Australia Benchmark PTY LTD, are subject to the corporation federal tax rate of 30% on their taxable income, according to Australian tax legislation. As of December 31, 2023, TheraCann Australia Benchmark PTY LTD has on favor USD3,011 Goods and Services Tax (GST) and USD2,377 with the Australian Taxation Office (ATO).

TheraCann Africa Benchmark Corp. is subject to the standard corporate tax rate of 27%, under the South Africa corporate income tax legislation.

#### **25. Capital management.**

The Group manages share capital and capital stock reserve as capital. The objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Group will be able to raise funds in the future. There were no changes to the Group's approach to capital management since incorporation.

The Group is not subject to externally imposed capital requirements. The Group does not currently have adequate sources of capital for the development of its business and will need to raise additional capital by obtaining equity financing through private placements or debt financing. The Group may raise additional debt or equity financing in the near future to meet its current obligations (Note 1).

#### **26. Additional paid-in capital**

Starting from February 20, 2023, TheraCann International Benchmark Corporation initiated a plan to issue and sell shares at a price of USD 3.50 per share, which as of the date of this report has accumulated an amount of USD 1,770,696 in additional paid-in capital.



## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

**(Expressed In United States Dollars)**

At the moment of this report a total of 607,143 shares, were sold. The shares issued as of the date of this report are in the process of being registered with the Public Registry of Panama.

#### **27. Restricted share unit ("RSU") incentive plan**

On May 15, 2023, the board approved an RSU program, which allows the Parent Company to allocate up to 10% of the outstanding shares of the Parent Company. The Board of Directors is in the process of confirming the allocation of 3,715,912 RSU to be distributed between Directors, Offices, General Staff and Resources.

The confirmation and subsequent allocation will be determined and reported to the Parent Company's shareholders as part of the amalgamation transaction mentioned below.

Under the RSU incentive plan, the Parent Company purchases shares of the Parent Company from the open market to distribute to management as compensation. These shares are restricted and reserved in trust for future issuances. The RSUs vesting conditions are set by the Board at the time the RSUs are granted. The RSUs are measured at the fair value at the grant date and reflected as an equity-settled share-based payment. The Parent Company recognizes the compensation cost in loss and other comprehensive loss over the appropriate vesting periods using the graded vesting method.

#### **28. Subsequent events**

Protocol Signing with Manupal University Dubai: January 2024.

On March 7, 2024, the Parent Company signed a letter of intent with the companies Desarrollos de Bajo Impacto, S. A. and Residencial Paseo de Los Arboles, S. A. with the intention of purchasing two plots of land measuring 5 hectares 3,750 square meters and 7 hectares 9,000 square meters, for a total value of USD 3,030,000. The payment of the land will be in form of equity form TheraCann International Benchmark Corporation in the form of Common "A" voting shares based on The Parent Company share price of USD3.50 per share, the total amount of share units is 865,714.

On April 30, 2024 the Ministry of Labor, and Labor Development of the Republic of Panama, absolved TheraCann International Benchmark Corporation and its subsidiaries (One System One Solution, S.A., ETCH Biotrace, S.A., and Sprout AI, S.A.) of any and all claims filed by ex-staff related to 2020 labor claims. This ruling which was granted by the Ministry of Labor, and Labor Development of the Republic of Panama, in favor of TheraCann International Benchmark Corporation and its subsidiaries (One System One Solution, S.A., ETCH Biotrace, S.A., and Sprout AI, S.A.), is considered the final judgment in this matter.

Starting on April 2024, The Parent Company sold a total of 15,786 shares at USD 3.50 each, amounting to a total of USD 55,251.

Sprout AI, Inc. and Sprout AI, S. A. is in the process of amalgamating with TheraCann International Benchmark Corporation ("TIBC"), which is anticipated to be completed in July 2024. On May 29, 2023, the TheraCann International Benchmark Corporation ("TIBC") entered into an Amalgamation Agreement with Sprout AI, Inc. and Sprout AI, S. A. Under the terms of the Agreement, TheraCann International Benchmark Corporation will acquire the Sprout AI, S.A. in a reverse takeover structure, whereby the companies' operations will be combined. The entities have agreed that the Sprout AI,

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Notes to the Consolidated Financial Statements**

**For the year ended December 31, 2023**

**(Expressed In United States Dollars)**

Inc. will complete a 3,333 to 1 share consolidation prior to the share conversion with TIBC at a ratio of 5,296 Sprout AI Inc., Shares for 1 TIBC share. This will result in TheraCann International Benchmark Corporation ("TIBC") shareholders owning approximately 70% of the common equity post completion. The arrangement is subject to the regulatory authorities' approval and the Company's shareholder approval.

The Group has successfully moved to new facilities located in the Panama Viejo Business Center industrial complex, Warehouse-Office No. G7 on May 1, 2024.

Under a promissory note dated May 3, 2024, the Parent Company entered into a payment agreement with its lease provider London & Regional, in the amount of USD465,806, the parties have agreed the final payment date of the promissory note is June 20, 2024.

**TheraCann International Benchmark  
Corporation and Subsidiaries**

**Condensed Consolidated Interim Financial Statements  
As at and for the three months ended March 31, 2024**

(Expressed in United States Dollars)

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## **Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements**

To the Boards of Directors and Shareholders of  
TheraCann International Benchmark Corporation

Report on Review of the Condensed Consolidated Interim Financial Statements

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statements of financial position of TheraCann International Benchmark Corporation and Subsidiaries (the Group) as at March 31, 2024, condensed consolidated interim statements of loss and other comprehensive loss, condensed consolidated interim statements of changes in equity (deficiency) and condensed consolidated interim statements of cash flows for the three months then ended, and notes to the interim financial statements ("the condensed consolidated interim financial statements").

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Republic of Panama. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Republic of Panama, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Material Uncertainty Relating to Going Concern**

We draw attention to note 1 in the condensed consolidated interim financial statements which indicates that the Group has incurred a comprehensive loss of USD376,320 during the three months ended March 31, 2024, and, as of that date, the Group's current liabilities exceeded its total assets by USD15,433,256 and show us a total shareholder's equity (deficiency) of USD14,022,044.

As stated on Note 1, these events or conditions, along with other matter as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the three months ended March 31, 2024 are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Panama, Republic of Panama  
July 15, 2024



Delia García  
Partner  
C.P.A.1304

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Condensed Consolidated Interim Statements of Financial Position**  
**For the period ended on March 31, 2024**  
**(Expressed in United States Dollars)**

| <b>Assets</b>  | <b>Notes</b> | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|--|--------------|---------------------------------------|--|
| <b>Current assets</b>  |              |                                       |  |
| Cash   | 4            | 217,451                               | 34,244                                 |
| Accounts receivable and other                                  | 5, 23        | 41,425                                | 42,440                                 |
| Prepaid expenses   | 6            | 76,556                                | 50,708                                 |
| Inventories  | 7            | 171,322                               | 171,322                                |
| <b>Total current assets</b>                                    |              | <b>506,754</b>                        | <b>298,714</b>                         |
| <b>Non-current assets</b>                                      |              |                                       |  |
| Right-of-use assets  | 8            | 1,256                                 | 2,009                                  |
| Property, plant and equipment                                  | 9            | 97,516                                | 120,159                                |
| Intangible assets  | 10           | 1,876,733                             | 1,913,301                              |
| Other assets   |              | 35,000                                | 10,000                                 |
| <b>Total non-current assets</b>                                |              | <b>2,010,505</b>                      | <b>2,045,469</b>                       |
| <b>Total assets</b>  |              | <b>2,517,259</b>                      | <b>2,344,183</b>                       |
| <b>Liabilities</b>   |              |                                       |  |
| <b>Current liabilities</b>                                     |              |                                       |  |
| Accounts payable and other                                     | 11, 23       | 1,910,149                             | 1,555,300                              |
| Income tax payable   | 24           | 5,429                                 | 5,429                                  |
| Accrued payroll liabilities                                    | 23           | 191,716                               | 175,905                                |
| Customer advances  | 12           | 772,315                               | 772,315                                |
| Current portion of loans                                       | 13           | 26,916                                | 22,603                                 |
| Convertible debentures   | 14           | 13,032,133                            | 13,032,133                             |
| Current portion of lease liabilities                           | 15           | 1,352                                 | 2,044                                  |
| <b>Total current liabilities</b>                               |              | <b>15,940,010</b>                     | <b>15,565,729</b>                      |
| Loans  | 13           | 599,293                               | 599,219                                |
| <b>Total non-current liabilities</b>                           |              | <b>599,293</b>                        | <b>599,219</b>                         |
| <b>Total liabilities</b>                                       |              | <b>16,539,303</b>                     | <b>16,164,948</b>                      |
| <b>Shareholder's equity (deficiency)</b>                       |              |                                       |  |
| Share capital  | 16           | 10,000                                | 10,000                                 |
| Additional paid-in capital                                     | 26           | 1,945,737                             | 1,770,696                              |
| Capital stock reserve  | 17           | 25,351                                | 25,351                                 |
| Translation reserve  |              | 199,225                               | 194,808                                |
| Complementary tax  |              | (6,734)                               | (6,734)                                |
| Accumulated deficit  |              | (14,099,358)                          | (13,900,154)                           |
| <b>Equity attributable to owners of the Group</b>              |              | <b>(11,925,779)</b>                   | <b>(11,906,033)</b>                    |
| Non-controlling interests                                      |              | (2,096,265)                           | (1,914,732)                            |
| <b>Total shareholder's equity (deficiency)</b>                 |              | <b>(14,022,044)</b>                   | <b>(13,820,765)</b>                    |
| <b>Total liabilities and shareholder's equity (deficiency)</b> |              | <b>2,517,259</b>                      | <b>2,344,183</b>                       |

See accompanying notes to the condensed consolidated interim financial statements.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Condensed Consolidated Interim Statements of Loss and Other Comprehensive Loss**  
**For the three months ended on March 31, 2024**  
**(Expressed in United States Dollars)**

|  | Note     | March 31, 2024<br>(Unaudited) | March 31, 2023<br>(Unaudited) |
|--|----------|-------------------------------|-------------------------------|
| <b>Revenues</b>  |          |                               |                               |
| Service revenue  | 18       | 0                             | 159,306                       |
| Sale of products   | 18       | 79                            | 0                             |
| <b>Total revenues</b>  |          | <b>79</b>                     | <b>159,306</b>                |
| <b>Costs</b>   |          |                               |                               |
| Cost of sales  |          | 286                           | 0                             |
| Cost of services   |          | 0                             | 749                           |
| <b>Total costs</b>   |          | <b>286</b>                    | <b>749</b>                    |
| <b>Gross Profit</b>  |          | <b>(207)</b>                  | <b>158,557</b>                |
| <b>Expenses</b>  |          |                               |                               |
| General and administrative expenses  | 20       | 305,418                       | 141,368                       |
| Bad debt expense   | 5        | 0                             | 39,907                        |
| Foreign exchange loss (gains)  |          | 2,434                         | (2,681)                       |
| Depreciation and amortization  | 8, 9, 10 | 60,123                        | 206,380                       |
| <b>Total expenses</b>  |          | <b>367,975</b>                | <b>384,974</b>                |
| <b>Operating loss</b>  |          | <b>(368,182)</b>              | <b>(226,417)</b>              |
| <b>Finance costs</b>   |          |                               |                               |
| Interest expense on lease liabilities  | 15       | 8                             | 22,213                        |
| Interest expense on loans  | 13       | 13,016                        | 38,358                        |
| <b>Total finance costs</b>   |          | <b>13,024</b>                 | <b>60,571</b>                 |
| <b>Other incomes</b>   |          |                               |                               |
| Other incomes  |          | 469                           | 0                             |
| <b>Total other incomes</b>   |          | <b>469</b>                    | <b>0</b>                      |
| <b>Loss for the period</b>   |          | <b>(380,737)</b>              | <b>(286,988)</b>              |
| <b>Other comprehensive loss Items that are or may be reclassified subsequently to profit or loss</b> |          |                               |                               |
| Exchange differences on translation of foreign operations  | 19       | 4,417                         | 788                           |
|  |          | 4,417                         | 788                           |
| <b>Total other comprehensive loss for the period</b>   |          | <b>(376,320)</b>              | <b>(286,200)</b>              |
| <b>Loss attributable to</b>  |          |                               |                               |
| <b>Loss attributable to Owners of the Group</b>  |          | <b>(199,204)</b>              | <b>(152,104)</b>              |
| <b>Non-controlling interest</b>  |          | <b>(181,533)</b>              | <b>(134,884)</b>              |
| <b>Total loss attributable to</b>  |          | <b>(380,737)</b>              | <b>(286,988)</b>              |
| <b>Other comprehensive loss attributable to</b>  |          |                               |                               |
| <b>Other comprehensive loss attributable to Owners of the Group</b>                                  |          | <b>(194,787)</b>              | <b>(151,686)</b>              |
| <b>Non-controlling interest</b>  |          | <b>(181,533)</b>              | <b>(134,514)</b>              |
| <b>Total other comprehensive loss attributable to</b>  |          | <b>(376,320)</b>              | <b>(286,200)</b>              |

See accompanying notes to the condensed consolidated interim financial statements.



**TheraCann International Benchmark Corporation and Subsidiaries**  
**Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)**  
**For the three months ended on March 31, 2024**  
**(Expressed in United States Dollars)**

Attributable to owners of the group

|   | Note | Number of<br>common<br>shares | Share<br>capital<br>amounts | Additional<br>paid-in<br>capital | Capital<br>stock<br>reserve | Translation<br>reserve | Complementary<br>tax | Accumulated<br>deficit | Total<br>controlling<br>interest | Non-<br>controlling<br>interest | Total<br>shareholder's<br>equity<br>(deficiency) |
|---|------|-------------------------------|-----------------------------|----------------------------------|-----------------------------|------------------------|----------------------|------------------------|----------------------------------|---------------------------------|--|
| Balance, December 31, 2022                    | 16   | 10,000,000                    | 10,000                      | 0                                | 25,351                      | 186,074                | 0                    | (11,363,159)           | (11,141,734)                     | (1,354,211)                     | (12,495,945)                                     |
| Additional paid-in capital                    | 26   | 0                             | 0                           | 1,770,696                        | 0                           | 0                      | 0                    | 0                      | 1,770,696                        | 0                               | 1,770,696  |
| Complementary tax                             |      | 0                             | 0                           | 0                                | 0                           | 0                      | (6,734)              | 0                      | (6,734)                          | 0                               | (6,734)  |
| Total other comprehensive loss for the period |      |                               |                             |                                  |                             |                        |                      |                        |                                  |                                 |  |
| Other comprehensive loss for the period       | 19   | 0                             | 0                           | 0                                | 0                           | 8,734                  | 0                    | 0                      | 8,734                            | 0                               | 8,734  |
| Loss for the period                           |      | 0                             | 0                           | 0                                | 0                           | 0                      | 0                    | (2,536,995)            | (2,536,995)                      | (560,521)                       | (3,097,516)                                      |
| Total other comprehensive loss for the period |      | 0                             | 0                           | 0                                | 0                           | 8,734                  | 0                    | (2,536,995)            | (2,528,261)                      | (560,521)                       | (3,088,782)                                      |
| Balance, December 31, 2023<br>(Audited)       | 16   | 10,000,000                    | 10,000                      | 1,770,696                        | 25,351                      | 194,808                | (6,734)              | (13,900,154)           | (11,906,033)                     | (1,914,732)                     | (13,820,765)                                     |
| Additional paid-in capital                    | 26   | 0                             | 0                           | 175,041                          | 0                           | 0                      | 0                    | 0                      | 175,041                          | 0                               | 0  |
| Total other comprehensive loss for the period |      |                               |                             |                                  |                             |                        |                      |                        |                                  |                                 |  |
| Other comprehensive loss for the period       | 19   | 0                             | 0                           | 0                                | 0                           | 4,417                  | 0                    | 0                      | 4,417                            | 0                               | 4,417  |
| Loss for the period                           |      | 0                             | 0                           | 0                                | 0                           | 0                      | 0                    | (199,204)              | (199,204)                        | (181,533)                       | (380,737)  |
| Total other comprehensive loss for the period |      | 0                             | 0                           | 0                                | 0                           | 4,417                  | 0                    | (199,204)              | (194,787)                        | (181,533)                       | (376,320)  |
| Balance, March 31, 2024<br>(Unaudited)        | 16   | 10,000,000                    | 10,000                      | 1,945,737                        | 25,351                      | 199,225                | (6,734)              | (14,099,358)           | (11,925,779)                     | (2,096,265)                     | (14,022,044)                                     |

See accompanying notes to the condensed consolidated interim financial statements.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the three months ended March 31, 2024**  
**(Expressed In United States Dollars)**

|  | Note     | March 31, 2024<br>(Unaudited) | March 31, 2023<br>(Unaudited) |
|--|----------|-------------------------------|-------------------------------|
| <b>Operating activities</b>  |          |                               |                               |
| Loss for the period  |          | (380,737)                     | (286,988)                     |
| Adjustments for:   |          |                               |                               |
| Expected credit losses of account receivables                          | 5        | 0                             | 39,907                        |
| Depreciation and amortization  | 8, 9, 10 | 60,123                        | 206,381                       |
| Interest expense of loans  | 13       | 13,016                        | 22,213                        |
| Interest expense on lease liabilities                                  | 15       | 8                             | 38,358                        |
| Foreign exchange gain on loans   | 13       | (4,629)                       | (7,543)                       |
| Effect of movements in exchange rates of property, plant and equipment | 9        | 362                           | 0                             |
| Effect of movements in exchange rates of intangible assets             | 10       | 1,079                         | 0                             |
| Exchange differences on translation of foreign operations              | 19       | 4,417                         | 788                           |
|  |          | (306,361)                     | (13,116)                      |
| <b>Changes in working capital</b>                                      |          |                               |                               |
| Accounts receivable and other  |          | 1,015                         | (38,638)                      |
| Prepaid expenses   |          | (25,848)                      | (14,013)                      |
| Inventories  |          | 0                             | 338                           |
| Other assets   |          | (25,000)                      | 0                             |
| Accounts payable and other   |          | 354,849                       | (95,061)                      |
| Accrued payroll liabilities  |          | 15,811                        | 26,320                        |
| Customer advances  |          | 0                             | (112,700)                     |
| Net change in working capital related to operations                    |          | 320,827                       | (233,754)                     |
| <b>Net cash flows from (used in) operating activities</b>              |          | <b>14,466</b>                 | <b>(220,638)</b>              |
| <b>Investing activities</b>  |          |                               |                               |
| Purchase of intangible assets  | 10       | (1,600)                       | (9,320)                       |
| <b>Net cash flows used in investing activities</b>                     |          | <b>(1,600)</b>                | <b>(9,320)</b>                |
| <b>Financing activities</b>  |          |                               |                               |
| Lease liabilities repayments   | 15       | (700)                         | (151,432)                     |
| Repayment of loan to shareholder                                       | 13       | (4,000)                       | 0                             |
| Additional paid-in capital   |          | 175,041                       | 1,000,000                     |
| <b>Net cash flows from financing activities</b>                        |          | <b>170,341</b>                | <b>848,568</b>                |
| <b>Net increase in cash</b>  |          | <b>183,207</b>                | <b>618,610</b>                |
| Cash at beginning of period  | 4        | 34,244                        | 2,845                         |
| <b>Cash at end of period</b>   | <b>4</b> | <b>217,451</b>                | <b>621,455</b>                |

See accompanying notes to the condensed consolidated interim financial statements.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the period ended March 31, 2024**  
**(Expressed In United States Dollars)**

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**1. Nature of operations and going concern**

TheraCann International Benchmark Corporation ("The Parent Company", "TIBC") was incorporated under the laws of the Republic of Panama, through the Public Deed No. 7137 dated April 26, 2017, and commenced operations on the same date. The registered offices were located at Parque Internacional de Negocios, building 3860 Unit 5B, Panama Pacifico, Veracruz Township, Arraiján District, Panama Province, Republic of Panama. In 2024 the new facilities are located in Panama Viejo Business Center, office G7.

Its main activity is to provide complete turnkey infrastructure solutions with the best technology efficient, affordable, innovative, and adaptable vertical indoor farming to highly regulated markets in the pharmaceutical industry, food industry, and government entities, ensuring traceability and maximum product quality. TheraCann offers a complete supply chain solution. From the industry/project that starts with the legal regulatory framework to production, procedures, distribution, and integration of primary technologies.

The Companies included in the condensed consolidated interim financial statements of TheraCann International Benchmark Corporation and its wholly owned subsidiaries are the following:

Sprout AI Inc. ("SAI". Formerly, 12682803 B.C. Ltd.), a subsidiary owned 53% by the "Parent Company" was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. On June 1, 2021, Sprout AI, Inc. changed its name from "12682803 B.C. Ltd." to Sprout AI Inc. On July 5, 2021, the shares of the Company began trading on the Canadian Securities Exchange ("CSE") under the symbol of SPRT and subsequently changed to BYFM on November 5, 2021. On January 14, 2022, the shares of the Company began trading on the United States OTC stock market under the symbol BYFMF. The Company's head office is located at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2. The Company is engaged in vertical farming technology and is in the business of planning, design, manufacturing and /or assembling sustainable and scalable AI-controlled vertical cultivation equipment (the "habitat") for indoor vertical farming.

Sprout AI S.A. ("SASA") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on November 19, 2018, in the Republic of Panama through Public Deed No. 30280. The registered office of Sprout is located at The International Business Park Unit 5B, Building 3860, Panama Pacifico, Republic of Panama. SASA was registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 on October 7, 2019.

Sprout AI Australia PTY LTD. ("SAPTY") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on September 6, 2021, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia.

TheraCann Canada Benchmark Corp. ("TCAN") a subsidiary owned 100% by the "Parent Company", was incorporated on January 12, 2016, under the business Act of the Government of Alberta. On January 2, 2019, TCAN and "The Parent Company" entered into a Master Inter-Company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCAN's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the period ended March 31, 2024**  
**(Expressed In United States Dollars)**

TheraCann Australia Benchmark Pty Ltd. ("TAUS") a subsidiary owned 100% by the "Parent Company" was incorporated on July 17, 2017, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia. On June 1, 2019, TAUS and "The Parent Company" entered into a service agreement in which the "Parent Company" provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAUS's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology.

One System One Solution, S.A., ("OS2") a subsidiary owned 100% by the "Parent Company" was incorporated as a corporation through Public Deed No. 3,336 on February 6, 2018, and registered in the Public Registry of Panama on March 5, 2018. Its main activity is the development of applications for enterprise resource management and compliance. These applications encompass systems that oversee all daily operations, as well as the monitoring and control processes in vertical farming systems using the Sprout technology.

TheraCann Canada Inc. ("TCI") a subsidiary owned 100% by the "Parent Company", was incorporated on April 01, 2019, under the business Act of the Government of Alberta. On July 1, 2019, TCI and "The Parent Company" entered into a Master Inter-company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCI's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

ETCH Biotrace, S.A. ("ETCH") a subsidiary owned 100% by the "Parent Company", was incorporated on February 1, 2019, as a private limited company under the laws of the Republic of Panama. ETCH primary activity is to provide plant with irremovable taggant tracking system that can be used to confirm authenticity of crop source.

TheraCann Africa Benchmark ("TAFR") a subsidiary owned 100% by the "Parent Company" was incorporated on June 20, 2022, under the terms of the Minister of Trade and Industry section 223 of the Companies Act 2008 (Act No. 71 of 2008). On June 1, 2022 TAFR and "The Parent Company" entered into a service agreement in which the "Parent Company" provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAFR's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology.

These condensed consolidated interim financial statements are prepared on the basis that the Group will continue as a going concern, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future.

Details of accumulated deficit, working capital and cash of the Group:

|                     | <b>March 31, 2024</b> | <b>December 31, 2023</b> |
|---------------------|-----------------------|--------------------------|
|                     | <b>(Unaudited)</b>    | <b>(Audited)</b>         |
| Accumulated deficit | <b>(14,099,358)</b>   | (13,900,154)             |
| Working capital     | <b>(15,433,256)</b>   | (15,267,015)             |
| Cash                | <b>217,451</b>        | 34,244                   |

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**(Expressed In United States Dollars)**

The ability of the Group to be successful in obtaining additional future financing cannot be predicted at this present time and as such there is a material uncertainty that may cast significant doubt on the ability to continue as a going concern. The continuation of the Group as a going concern is dependent on the ability of the Group to achieve positive cash flow from operations and/or obtain necessary equity or other financing to meet its current obligations and realize its assets and discharge its liabilities in the normal course of business. These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

As we reflect on our journey and look forward to the future, TheraCann International Benchmark Corporation and Subsidiaries is poised for transformative growth and innovation. Here are the forward-looking statements based on our current initiatives and strategic planning represented by the management:

**Financial Strengthening, Capital Raise, and Financial Outlook:**

In Q2 2023, TheraCann initiated a non-brokered private placement round to raise USD1M, selling shares within TheraCann at USD3.50 per Common "A" Voting Share. As of Q3 2023, TheraCann had closed the oversubscribed round at USD1.32M. In Q1 2024 TheraCann initiated a second non-brokered private placement round to raise USD2.5 million for operational and capital expenses at USUSD3.50 per Common "A" Voting Share. As of April 30, 2024 TheraCann was oversubscribed at USD3.85M. In included in this round was a share swap of TheraCann shares valued at USD3.5 per share in exchange for ownership of land in Panama suitable for construction of TheraCann's CPC sized facility. The land was appraised by Colliers valued at USD3,030,000, and is strategically located near one central food production, and packaging center of one of TheraCann's largest grocery store clients. In Q1 2024 TheraCann also secured short term loans totaling USUSD370K, payable at 8% interest per month. In Q2 2024 TheraCann is in process of securing additional lines of credit, and / or mortgages, on the above land totaling up to 80% of the land value to ensure prompt project commencement. In addition to the above TheraCann has also secured memorandum of understanding (MOU), and Term Sheets to access capital post amalgamation between TheraCann and Sprout AI, totaling over USD250M for purposes of financing its 5 years business plan. In so doing, TheraCann has secured sufficient additional capital for sustainable growth and profitability.

**Expansion of Physical Infrastructure:** TheraCann has prepared a 5-year business plan ending December 2029 that includes a planned roll-out of up to 27 separate locations, in up to 7 different countries, that will include a mixture of Discovery Centre (DC), Centre of Excellence (COE), and Commercial Production Centre (CPC) sized facilities. The purpose of these strategic urban farms will be to bring our products closer to consumers, reducing logistics costs and enhancing market responsiveness. By strategically positioning these facilities globally, we will have significantly managed global risks including country, political, economic, project, and technology risks. This expansion aims to cater to grocery store chains and restaurants that heavily rely on imports to service their domestic markets. When fully operational, a DC facility is projected to generate USD3.0 million in revenue with expenses of USD1.6 million, resulting in an EBITDA of USD2.3M, based on a sales price of USD48 per Kg. TheraCann's larger COE facility is expected to achieve revenues of USD7 million with expenses of USD2.6 million, yielding an EBITDA of USD4.7 million based on USD48 per Kg. Finally, the CPC facility, designed to meet high-demand commercial needs, anticipates generating revenues of USD24.7 million with expenses of USD2.3 million, resulting in an EBITDA of USD17 million based on USD48 per Kg. In preparation for this expansion plan, the company aims to establish up to 2-4 new FaaS facilities commencing in 2024, consisting of 1-2 DC facilities, and 1-2 CPC facilities.

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the period ended March 31, 2024**  
**(Expressed In United States Dollars)**

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With an estimated CAPEX cost of USD72 million, these facilities are projected to generate an annual EBITDA of USD38.6 million at full capacity based on USD48 a Kg. The remaining 23 facilities are then designed through 2025 through 2028 in a ramping up schedule of 5-6 facilities per year. At peak production gross revenues of USD140M per year are projected.

**Global Expansion through Local Integration:**

The establishment of partnerships with local universities enables TheraCann to provide practicum and internship programs within each new city farm facility placement. TheraCann currently has proven this model to be very effective in relation to this partnership with UDELAS University of Panama, University of Honduras, and as February 2024 has entered into a three-year agreement with Manipal Dubai University of Dubai, 2024-2027. Each agreement further enhances TheraCann's ability to conduct ongoing research as well as our integration of our operations into local communities and markets. Coupled with these agreements is TheraCann's focus on providing ongoing support to Federal Government Department's of Agriculture. This includes Sprout AI's agreement with the Republic of Panama, Department of Agriculture, Department of Innovation's (IDIAP) two-year agreement to further evaluate the efficacy of Sprout AI's aeroponic and fogponic systems in relation to cultivation of strawberry and potato, in direct comparison to cultivation using hydroponic and traditional field production. IDAP's multi-year evaluation of the Sprout AI system, including analysis of cost of production versus traditional farming is designed to provide impartial analysis of the efficacy of our Farm as a Solution facility and technologies.

**Innovation in Agricultural Technology:**

The introduction in 2022 of our groundbreaking fogponics cultivation hardware system marks a significant technological advancement over the Sprout AI's previous aeroponic hardware system. This hardware innovation not only substantially reduced the risk of cultivation failure, but also expanded the range of possible fruit and vegetable crops that can be produced indoors, including root-based crops such as carrot, beat, and potato. To further advance this hardware innovation in 2023, TheraCann's One System One Solution (OS2) was advanced to version 7.0, together with an advanced artificial intelligence (AI) module that collections, manages, and reports on the optimal operation of each habitat parameter. To further advance this cultivation and hardware system, in 2024 TheraCann's ETCH Biotrace has begun benchscale testing of a new means of adding an irremovable taggant to plants, that does not require use of DNA, that enables the traceability of each batch of crops. This level of traceability not only ensures the full transparency and traceability of each batch of corps from point of cultivation through to final consumption, destruction, or recall, but ensures the substantial reduction of counterfeit produce, and / or grey market produce entering the marketplace. In so doing, Sprout AI's indoor vertical cultivation system has gone well beyond that of any nearest indoor vertical farm competitor, by providing great range of crops, higher yields, and operations that are shown to be more sustainable in terms of power use, water use, and labour. In 2024 we have begun the process of expanding the list of crops to include the cultivation of mushrooms as well. In so doing, TheraCann will have provided the first turn-key indoor Farm as a Solution (FaaS) Facility that includes a wide range of fruit, vegetables, and mushrooms utilizing the same technology, and that is without risk of contamination from biological or chemical sources (is Pure).

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the period ended March 31, 2024**  
**(Expressed In United States Dollars)**

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**Transition to a Hybrid Operational Model:**

Learning from the challenges faced in client-based "You Own" projects in 2021, and 2021, TheraCann chose to enhance our business model in 2023 by implementing a "We Own" FaaS Facility model. This shift has enabled TheraCann to control the location, timing, and cost of its future projects, as well as to control more aspects of production.

Having relied solely on a "You Own" model resulted in all previous projects starting behind schedule, largely due to client internal managerial issues, including the timely financing of the project. Having adopted a hybrid model, we are now have the option to work with a Client under a "You Own" model, or it financing is directly available to TheraCann, immediately commence a "We Own" model project. As of Q2 2024 TheraCann has commenced a "We Own" project in the Republic of Panama that will be a Commercial Production Centre (CPC) sized facility. Land for this project was procured through a land for TheraCann common "A" voting share swap. Land was subsequently put into Trust, and through that trust title to the land was transferred to TheraCann, and shares transferred to the previous owner of the land. Then through this Trust, TheraCann was able to quickly secure financial loan facilities to commence project construction for this CPC location. Following this success, TheraCann is actively negotiating additional land for equity swaps in Q2 2024 for additional project sites, and to then seek additional traditional financing for project construction commencement.

**Direct Sale to Wholesale Market of Pure Produce:**

Starting in 2023 and expanding in 2024, TheraCann chose to market and directly sell its Pure produce, which consists of fruits and vegetables, to domestic grocery stores within 50 kilometers of its Centre of Excellence (COE) production and processing center in Panama Pacifico, Republic of Panama. This included sale of over 15 different crops consisting of fruit and vegetables and sold at a wholesale price to these customers. This produce was cultivated under licensed obtained from the Panama Department of Health (MINSA) in Q4 2023. Produce was produced within TheraCann's Centre of Excellence (COE) located in Panama Pacifico and produced within Sprout AI controlled environment habitats. Following the successful weekly delivery of small batch crops, TheraCann sought to obtain in Q1 2024 official vendor status from the main grocery store chains in the Republic of Panama. Having obtained vendor status, TheraCann was required in 2024 to increase its production volume in Panama from its current Sprout AI habitats to a full Commercial Production Centre (CPC) Facility. Consequently, TheraCann is in process of moving from its COE as of May 2024, and commencing constructing one to two CPC's in Panama in 2024/2025 to fulfill local market demand. This wholesale model will be repeated in a multitude of different global markets based on its low cost of marketing, distribution, and high success of larger volume product placement. The median average price for produce targeted to be placed within these facilities is a median average price of USD48 per kilogram (Kg). At full production a CPC will be expected to produce USD23.5M per year in revenue and generate returns on assets (ROA) of higher than 10%, and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of higher than 60%.

**Filing of Patents and Trademarks:**

Commencing in 2021 and continuing through 2023, TheraCann Companies and Sprout AI filed through Aalbun LLC a series of applications for trademarks and patents to protect our intellectual property (IP). These include, but are not limited to:

- GB2117915.5 10/12/2021 Patent Non-Provisional GB – United Kingdom GB2613633 Published method and system for automated indoor vertical cultivation of plants.

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- PCT/IB2022/062076 12/12/2022 Patent Non-Provisional WO - World Intellectual Property Organization (WIPO) WO2023105502 Published method and system for automated indoor vertical cultivation of plants.
- B2308692.9 09/06/2023 Patent Non-Provisional GB - United Kingdom Pending method and system for automated indoor vertical cultivation of plants.
- GB2308694.5 09/06/2023 Patent Non-Provisional ZA - South Africa Pending method and system for automated indoor vertical cultivation of plants.
- SG10202113746Y 10/12/2021 Patent Non-Provisional SG – Singapore Pending method and system for automated indoor vertical cultivation of plants.

Our IP is registered through Panama which then offers additional IP under Penal Law.

In conclusion, TheraCann is navigating current challenges with strategic acumen and is laying a solid foundation for future growth. We are committed to leveraging our technological innovations and operational expansions to deliver sustainable value to our stakeholders and significantly enhance our market position.

## **2. Basis of accounting**

These condensed consolidated interim financial statements for the three months ended March 31, 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2023 ('last annual consolidated financial statements'). They do not include all of the information required for a complete set of consolidated financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements.

These condensed consolidated interim financial statements were authorised for issue by the Company's board of directors on July 15, 2024.

### **Significant accounting policies**

The accounting policies detailed below have been applied consistently by the Group to all periods presented in these condensed consolidated interim financial statements.

### **Basis of presentation**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC") for the periods presented.

These condensed consolidated interim financial statements have been prepared on an historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for condensed consolidated interim cash flow information.



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Unless otherwise noted, all amounts on the condensed consolidated interim financial statements are presented in United States dollars ("USD"), which is the functional currency for the Parent Company and of these subsidiaries ETCH Biotrace, S. A., One System One Solution, S. A., Sprout AI, S. A. and TheraCann Australia Benchmark PTY Ltd. The functional currency for the subsidiaries Sprout AI Inc., TheraCann Canadá Benchmark Corp, TheraCann Canada Inc. are Canadian Dollars ("CAD"), for the subsidiary TheraCann Africa Benchmark Corp. are South African Rand ("ZAR") and for the subsidiary Sprout AI Australia PTY are Australian Dollars ("AUD"). The presentation currency of these condensed consolidated interim financial statements is USD.

The figures used in these condensed consolidated interim financial statements for Sprout AI Inc. pertain to the period from February 1, 2024, to April 30, 2024, with comparative figures ended April 30, 2023, in accordance with the provisions specified in paragraph B93 of Reporting Date of IFRS 10 Consolidated Financial Statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on July 15, 2024.

**Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Parent Company, and its subsidiaries as follows:

| <b>Subsidiaries</b>                    | <b>Place of Incorporation</b> | <b>Year End Date</b> | <b>Ownership Interest</b> |
|--|-------------------------------|----------------------|---------------------------|
| ETCH Biotrace S.A.                     | Panama                        | December 31          | 100%                      |
| One System One Solution S.A.           | Panama                        | December 31          | 100%                      |
| TheraCann Australia Benchmark Pty Ltd. | Australia                     | December 31          | 100%                      |
| TheraCann Africa Benchmark Corp        | South Africa                  | December 31          | 100%                      |
| TheraCann Canada Benchmark Corporation | Canada                        | December 31          | 100%                      |
| TheraCann Canada Inc.                  | Canada                        | December 31          | 100%                      |
| Sprout AI Inc.                         | Canada                        | January 31           | 53%                       |
| Sprout AI S.A.                         | Panamá                        | January 31           | 53%                       |
| Sprout AI Australia PTY                | Australia                     | June 30              | 53%                       |

**Subsidiaries**

A subsidiary is an entity controlled by the Group and is included in the condensed consolidated interim financial statements from the date that control commences until the date the control ceases. The accounting policies of a subsidiary are changed where necessary to align them with policies adopted by the Group.

**Transactions eliminated on consolidation.**

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in the preparation of these condensed consolidated interim financial statements.

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**Non-controlling interests**

Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**Cash**

Cash consist of items that can be quickly converted into cash, typically within a period of less than ninety days. These assets are recorded at their transaction value. Cash includes the following items:

**Petty Cash**

Comprising funds designated for covering minor administrative expenses, the petty cash fund is only impacted during its establishment or closure. Reimbursements affect the relevant expense accounts while creating a payable to the petty cash custodian.

**Cash at Banks**

This category encompasses various savings and checking accounts held in the entity's name, maintained to meet both payment and collection needs.

**Inventories**

Inventories is valued at the lower of cost and net realizable value using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

Raw materials consumed in producing inventory are transferred to work-in-progress along with corresponding production costs incurred. Upon completion of production, work-in-progress is transferred to finished goods until the item is sold. Raw materials consumed in the development of prototypes are transferred to intellectual property when it is determined future economic benefit exists and those prototypes meet the recognition criteria as an intangible asset, otherwise they are charged to operations as development expense.

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**Property, plant and equipment**

**Recognition and measurement**

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Group, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, which is not depreciated. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

**Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the condensed consolidated interim statement of loss and other comprehensive loss as incurred.

**Major maintenance and repairs**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the condensed consolidated interim statement of loss and other comprehensive loss during the financial period in which they are incurred.

**Depreciation**

Depreciation is recognized in the condensed consolidated interim statement of loss and other comprehensive loss and is provided for over the asset's estimated useful life:

|  |                         |
|--|-------------------------|
| Furniture and equipment                | 3-5 years straight line |
| Leasehold improvements                 | 5 years straight line   |
| Right-of-use – Leased building         | 5-8 years straight line |
| Right-of-use – Leased office equipment | 3 years straight line   |

Depreciation methods estimated useful lives and residual values are reviewed at each year-end and adjusted if appropriate. The effect of any changes in estimate is accounted for on a prospective basis.

**Gains and losses**

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within the condensed consolidated interim statement of loss and other comprehensive loss.

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**Leases**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases, except for those leases that are short-term or convey the right to control the use of low value assets, are recognized as right-of-use ("ROU") assets and corresponding liabilities at the date at which a leased asset is available for use. Lease payments are allocated between finance costs, calculated using the effective interest method, and a reduction of the liabilities. ROU assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

ROU assets are measured at cost, less any impairments, including:

- the initial measurement of lease liabilities.
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs; and
- an estimate of costs, if any, to be incurred by the Group in restoring the underlying asset to the condition required by the terms and conditions of the lease.

Liabilities arising from a lease are initially measured as the net present value of the future lease payments, including:

- fixed payments (including in-substance fixed payments), less any lease incentives.
- variable lease payments that are based on an index or a rate.
- amounts expected to be payable under residual value guarantees.
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

In recording ROU assets and related liabilities at inception of a lease, lease payments are discounted using the interest rate implicit in the lease. If that implicit rate cannot be determined, an incremental borrowing rate is used, being a rate that the Group would have to pay to borrow the funds required to obtain a similar asset, adjusted for term, security, asset value and the borrower's economic environment. The carrying amount of ROU assets and lease liabilities is remeasured if there is a modification of the lease, a change in the lease term, a change in the in-substance fixed lease payments, a change in the expected amount under a residual value guarantee, or a change in the assessment to exercise a purchase, extension, or termination option.

Payments for short-term leases and leases of low value assets are expensed on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less that do not contain a purchase option. Low value assets generally comprise computers and office furniture.

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**Intangible assets**

Intangible assets, which are not acquired as part of a business combination, are recognized at cost, net of accumulated amortization and accumulated impairment losses, if any. The internally generated intangible assets are recognized at development cost if they meet the criteria for capitalization. Intangibles acquired, if any, as part of a business combination are initially measured at their fair value on the acquisition date. Intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

|                           |                       |
|---------------------------|-----------------------|
| Patents                   | Useful life pending   |
| Trademark                 | Indefinite life       |
| Product development costs | 5 years straight line |

The estimated useful lives, amortization method, and residual value of each asset are evaluated annually or more frequently if required, and are adjusted, if appropriate.

**Impairment of long-lived assets**

Long-lived assets, including property, plant and equipment and intangible assets subject to amortization, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are grouped together to form a cash generating unit ("CGU") which is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

An impairment loss is recognized when the carrying value exceeds its recoverable amount and is recognized in the condensed consolidated interim statement of loss and other comprehensive loss. Impairment losses recognized in respect of CGUs or CGU groups are allocated, first to reduce the carrying amount of any goodwill allocated to the CGU or CGU group, and then to reduce the net carrying amount of the other assets in the CGU or CGU group on a pro-rata basis.

The recoverable amount is the greater of its value in use and its fair value less costs to sell. The value in use is the estimated future cash flows that is discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

Impairment losses related to long-lived assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no previous impairment loss had been recognized.

**Revenue recognition**

Revenue is recognized in accordance with the five-step model under *IFRS 15 – Revenue from Contracts with Customers* when the goods or services promised are transferred to the customer. The model separates the following steps: identification of a contract with customers, identification of individual performance obligations, determination of transaction price, allocation of the transaction price to the individual performance obligations and the determination in timing of revenue recognition.

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Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers based on information or payment received from relevant counterparties. The Group recognizes revenue related to products and services at the point when the products have been delivered, the customer takes control, and assumes risk of loss, and the collection of consideration is probable. Product sales represent revenue from the sale of products and shipping fees charged to customers.

Customer advances (contract liabilities) represent funds paid by customers in advance for delivery of Sprout AI Habitat Systems based on the sales agreements.

The Group recognizes sales revenue when it has fulfilled the performance obligation to the counter-party through the delivery and transfer of control of the promised goods at shipping point ("FOB shipping point").

Other incomes include sponsorship income, service revenue for management, consulting, and software development services provided to related entities. Such revenue is recognized on accrual basis.

**Research and development costs**

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following relevant criteria have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- the intention to complete the intangible asset and use or sell it.
- the ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Group reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. Development costs deferred are not amortized until completion of the related development project. Amortization begins once the underlying development project is available for use.

**Income taxes**

Income tax is recognized in the condensed consolidated interim statement of loss and other comprehensive loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the condensed consolidated interim statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Group does not consider it is probable that a future tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Parent Company, Sprout AI S.A., One System One Solution, S.A. ETCH Biotrace, S.A. are domiciled in Panama Pacific especial tax zone and present tax-exempt status where they are not subject to corporate income tax on any of its domestic and foreign sales. This tax-exempt status expires in 2027 and can be further extended under current tax legislation.

Sprout AI Inc., TheraCann Canada Benchmark Corporation and TheraCann Canadá Inc. are subject to the basic federal tax rates of 38% according to the legislation of the government of Canada.

Sprout AI Australia PTY, TheraCann Australia Benchmark PTY LTD, are subject to the corporation federal tax rate of 30% on their taxable income, according to Australian tax legislation.

TheraCann Africa Benchmark Corp. is subject to the standard corporate tax rate of 27%, under the South Africa corporate income tax legislation.

**Provision**

The Group recognizes a provision, if a result of a prior event, the Group has a current obligation requiring the outflow of resources to settle. Provisions are recorded at management's best estimate of the most probable outcome of any future settlement.

**Foreign currency translations**

These consolidated financial statements are presented in United States Dollars which is the functional currency of the Parent Company.

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary items denominated in foreign currencies are translated into United States Dollars at exchange rates in effect at each financial position reporting date and non-monetary items are translated at rates of exchange in effect when the assets were acquired, or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in the condensed consolidated interim statement of loss and other comprehensive loss.

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Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

**Financial instruments**

**Classification**

The Group classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Group determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Group has opted to measure them at FVTPL.

The following table shows the classifications under IFRS 9:

| <b>Financial assets</b>                                       | <b>Classification</b> |
|---|-----------------------|
| Cash  | Amortized cost        |
| Accounts receivable and other                                 | Amortized cost        |
| Due from related parties                                      | Amortized cost        |
| Investment  | Amortized cost        |
| <b>Financial liabilities</b>                                  | <b>Classification</b> |
| Accounts payable and other                                    | Amortized cost        |
| Accrued and payroll liabilities                               | Amortized cost        |
| Due to related parties  | Amortized cost        |
| Loans   | Amortized cost        |
| Lease liabilities   | Amortized cost        |
| Convertible debentures debt                                   | Amortized cost        |
| Convertible debentures warrant liability                      | FVTPL                 |
| Convertible debentures conversion option derivative liability | FVTPL                 |

**Measurement**

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the condensed consolidated interim loss and other comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.



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*Equity instruments designated as FVTOCI*

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through other comprehensive loss to present subsequent changes in fair value in other comprehensive loss. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive loss. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument. The Group does not currently hold any equity instruments designated as FVTOCI.

*Convertible debentures warrant liability as FVTPL*

Convertible debentures warrant liability carried ad FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the warrant liability carried at FVTPL are included in loss and other comprehensive loss in the period in which they arise.

*Convertible debentures conversion option derivative liability as FVTPL*

Convertible debentures conversion option derivative liability carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes int the fair value of the conversion option derivative liability carried at FVTPL are included in loss and other comprehensive loss in the period in which they arise.

*Impairment of financial assets at amortized cost*

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Group measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit loss.

The Group shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**Derecognition**

*Financial assets*

The Group derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the condensed consolidated interim statements of loss and other comprehensive loss.

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*Financial liabilities*

The Group derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the condensed consolidated interim statements loss and other comprehensive loss.

**Offsetting of financial instruments**

Financial assets and liabilities are offset, and the net amount presented in the condensed consolidated interim statement of financial position only where the Group has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**Compound financial instruments**

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value. See Note 14 for further details.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost under the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

**Share capital**

Share capital represents the amount received in exchange for the issuance of shares. Shares issued for consideration other than cash are recorded at their fair value according to quoted market price on the day the shares are issued.

**Share issuance costs**

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as equity. Share issuance costs related to uncompleted share subscriptions are charged to operations.

**Segmented information**

Management assesses its business operations on a regular basis for the geographic areas it operates in. Management has determined that it operates as a single operating division.

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**New standards and amendments – applicable 1 January 2024**

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2024:

- Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures

**Accounting standards issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the Group's March 31, 2024, condensed consolidated interim financial statements. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these condensed consolidated interim financial statements.

| Effective date   | New accounting standards or amendments  |
|--|---|
| 1 January 2025   | <i>Lack of Exchangeability – Amendments to IAS 21</i>   |
| 1 January 2027   | <i>IFRS 18 Presentation and Disclosure in Financial Statements</i>  |
| Available for optional adoption/effective date deferred indefinitely | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28</i> |

**3. Critical accounting estimates, assumptions and judgements**

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting period. Management's estimates, assumptions and judgements are based on historical experience and other reasonable factors, including the expectation of future events.

Estimates that could affect the carrying amount of the assets and liabilities in the next financial year, in a material way are outlined below:

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**Estimating the useful lives of non-financial assets**

Management is required to estimate the useful life of both property, plant and equipment, as well as intangible assets and rights-of-use, and analyze them based on factors including, but not limited to, the expected use of the asset. A change in the useful life of either property, plant and equipment, rights-of-use or intangible asset can result in an increase or decrease in the annual depreciation or amortization of the asset.

**Impairment assessment of intangible assets**

Management conducts an impairment assessment annually as of December 31, of its intangible asset if events or changes in circumstances indicate that the carrying value of a cash generating unit exceeds its fair value. Any impairment charges are determined by comparing the fair value of the cash generating unit to its carrying value. The recoverable amount of a cash generating unit is determined by management based on discounted cash flow projections. Management's cash flow projections for the cash generating unit includes significant judgements and assumptions relating to a transaction realization rate, discount rate, future cash flows, and future revenues to be generated from the intangible assets.

**Fair value of derivative financial instruments and warrants**

The estimated fair value of derivative financial instruments and warrants is determined based on an appropriate valuation model. Fair values are calculated using assumptions including, timing of future cash flows, discount rates, market price of the Group's shares and future events that may be out of the Group's control. The management estimated the fair value of shares and warrants as a consideration paid for the Reverse Take-Over (RTO).

The fair value of the conversion option derivative liability is calculated as the difference between the fair value of the convertible debentures with the conversion option and the fair value of the convertible debentures without the conversion option. The fair value of the conversion option derivative liability is calculated each period end with the difference being recognized in the condensed consolidated interim statement of loss and other comprehensive loss.

The fair value of the warrant liability was calculated based on a nominal lattice model. The fair value of the conversion option derivative liability will be calculated each period end with the difference being recognized in the condensed consolidated interim statement of loss and other comprehensive loss.

**Leases**

When the Group enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Group determines its incremental borrowing rate to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Group considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

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When the Group enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Group considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Group's operations; and any conditionality associated with exercising the option.

**Going concern**

**Group conditions and management plans**

These condensed consolidated interim financial statements have been prepared assuming that the Group will continue as a going concern and that it will realize its assets and discharge its liabilities in the normal course of its operations. As of March 31, 2024, the Group shows a total net losses USD380,737 (March 31, 2023: USD286,988) for which, it maintains accumulated losses of USD14,099,358 (December 31, 2023: USD13,900,154), total shareholder's equity (deficiency) of USD14,022,044 (December 31 2023: USD13,820,765) and negative working capital of USD15,433,256 (December 31, 2023: USD15,267,015).

The Group's ability to achieve its future business plans and objectives depends on the growth in the marketplace.

Management maintains future projections which include the growth of its services by attracting customers through listing on the stock market and offering turnkey solutions to worldwide vertical farming projects.

The TheraCann Group remains as a worldwide distributor of Sprout AI Technology expanding and maintaining future agreements and projects including sales to existing and new customers. Of the established agreements the following can be mentioned:

- Managed Service Agreements (MSAs)
- Consulting Services Agreements (CSA's)
- Fresh produce purchase orders

Sales opportunities include the design, management and production of indoor crops using Sprout AI technology. It is anticipated that a minimum of 2 of these opportunities will involve into a technology development and distribution within the next 12 – 18 months, which will then include Sprout AI technology.

Management has applied judgment in the assessment of the Group's ability to continue as a going concern when preparing its consolidated financial statements. Management prepares the condensed consolidated interim financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability and potential sources of replacement financing (see Note 1).

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**4. Cash**

Cash is detailed as follows:

|               | <b>March 31, 2024</b><br><b>(Unaudited)</b> | <b>December 31, 2023</b><br><b>(Audited)</b> |
|---------------|---|--|
| Petty cash    | 472   | 85   |
| Cash at banks | 216,979                                     | 34,159                                       |
|               | <b>217,451</b>                              | <b>34,244</b>                                |

**5. Accounts receivable and other**

Accounts receivable and other is detailed as a following:

|                                    | <b>March 31, 2024</b><br><b>(Unaudited)</b> | <b>December 31, 2023</b><br><b>(Audited)</b> |
|------------------------------------|---|--|
| Accounts receivable – shareholders | 41,425                                      | 42,440                                       |
| <b>Total</b>                       | <b>41,425</b>                               | <b>42,440</b>                                |

|  | <b>Trade</b> | <b>Officers</b> | <b>Shareholders</b> | <b>Total</b>  |
|--|--------------|-----------------|---------------------|---------------|
| Balance as of December 31, 2022        | 1,628        | 2,000           | 41,299              | 44,927        |
| Changes during the period              | (1,628)      | (2,000)         | 1,141               | (2,487)       |
| <b>Balance as of December 31, 2023</b> | <b>0</b>     | <b>0</b>        | <b>42,440</b>       | <b>42,440</b> |

|                                     | <b>Trade</b> | <b>Officers</b> | <b>Shareholders</b> | <b>Total</b>  |
|-------------------------------------|--------------|-----------------|---------------------|---------------|
| Balance as of March 31, 2024        | 0            | 0               | 42,440              | 42,440        |
| Changes during the period           | 0            | 0               | (1,015)             | (1,015)       |
| <b>Balance as of March 31, 2024</b> | <b>0</b>     | <b>0</b>        | <b>41,425</b>       | <b>41,425</b> |

During the period ended March 31, 2024, the Group has not established a provision for accounts receivable from shareholders, as there are no indications of impairment as of the date of this report.

The terms and conditions associated with the trade accounts is due on receipt, for the related parties is 30 days and for officer's collections on demand.

As of March 31, 2024, the lifetime expected credit loss allowance for trade receivables is USD Nil (December 31, 2023: Nil).

Set out below is the movement in the provision for expected credit losses of trade receivables:

|   | <b>March 31, 2024</b> | <b>December 31, 2023</b> |
|---|-----------------------|--------------------------|
| As at beginning of the period               | 0                     | 215,275                  |
| <b>Provision for expected credit losses</b> | <b>0</b>              | <b>3,668</b>             |
| <b>Write-off</b>                            | <b>0</b>              | <b>(218,943)</b>         |
| <b>As at ending of the period</b>           | <b>0</b>              | <b>0</b>                 |

The following expected credit loss percentages are established as follows:

| <b>March 31, 2024</b>            |                       |                                 |
|----------------------------------|-----------------------|---------------------------------|
| <b>Geographic concentration:</b> | <b>Sector balance</b> | <b>Accounts receivable, net</b> |
| <b>Panamá</b>                    | <b>41,425</b>         | <b>41,425</b>                   |
|                                  | <b>41,425</b>         | <b>41,425</b>                   |

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| <b>Geographic concentration:</b> | <b>Sector balance</b> | <b>Accounts receivable, net</b> |
|----------------------------------|-----------------------|---------------------------------|
| Panamá                           | 42,440                | 42,440                          |
|                                  | 42,440                | 42,440                          |

## **6. Prepaid expenses**

Prepaid expenses represent payments made in advance for goods or services that will be received in the future, aiming to recognize costs appropriately in the corresponding period. As of March 31, 2024, the prepaid expenses amount USD76,556 (2023: USD50,708)

|  | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|--|---------------------------------------|--|
| Deposits on materials purchases and services | 29,507                                | 29,544                                 |
| Retain for professional services             | 22,140                                | 0                                      |
| Retain for legal services                    | 24,909                                | 21,164                                 |
|  | <b>76,556</b>                         | <b>50,708</b>                          |

## **7. Inventories**

The Group inventory consists of materials inventory. Materials consumed in production of the habitat units are transferred to work-in-progress and then to finished goods upon completion of production.

|                      | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|----------------------|---------------------------------------|--|
| Raw materials        | 47,826                                | 47,826                                 |
| Finished product     | 9,833                                 | 9,833                                  |
| Inventory in transit | 113,663                               | 113,663                                |
|                      | <b>171,322</b>                        | <b>171,322</b>                         |

## **8. Right-of-use assets**

Right-of-use assets are as follows:

| <b>Cost</b>   | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
|---|------------------|------------------|------------------|
| <b>Balance as at December 31, 2023 (Audited) and March 31, 2024 (Unaudited)</b> | <b>1,081,110</b> | <b>9,042</b>     | <b>1,090,152</b> |
| <b>Accumulated depreciation</b>   | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
| Balance as at December 31, 2022   | 808,037          | 4,020            | 812,057          |
| Amortization  | 273,073          | 3,013            | 276,086          |
| Balance as at December 31, 2023 (Audited)                                       | 1,081,110        | 7,033            | 1,088,143        |
| Amortization  | 0                | 753              | 753              |
| <b>Balance as at March 31, 2024 (Unaudited)</b>                                 | <b>1,081,110</b> | <b>7,786</b>     | <b>1,088,896</b> |
| <b>Carrying amounts</b>   | <b>Building</b>  | <b>Equipment</b> | <b>Total</b>     |
| Balance as at December 31, 2023 (Audited)                                       | 0                | 2,009            | 2,009            |
| <b>Balance as at March 31, 2024 (Unaudited)</b>                                 | <b>0</b>         | <b>1,256</b>     | <b>1,256</b>     |

TheraCann's building was located in Panama Pacifico, Arraijan, Republic of Panama and it is comprised of both a two-level open office concept as well as a warehouse designed for large-scale manufacturer, quality assurance, packaging, and shipping of Sprout AI directly to the Panama Canal. The total building occupies 37,500 sq. ft (3,500 sq.m.).

Management regularly assesses the right-of-use asset for impairment indicators and has determined that no impairment is required for the year ended March 31, 2024 (2023: USD Nil).

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On January 31, 2024, management and lessor agreed not to exercise the extension option of the lease of the building and to terminate the lease effective April 30, 2024, the day on which the Group formally moves out.

**9. Property, plant and equipment**

Furniture, equipment and leasehold improvements are as follows:

Management regularly assesses the property, plant and equipment for impairment indicators and has determined that no impairment is required for the year ended March 31, 2024 (2023: USD Nil).

|  | Cost | Furniture and equipment | Leasehold improvements | Total   |
|--|------|-------------------------|------------------------|---------|
| Balance as at December 31, 2022          |      | 807,584                 | 2,044                  | 809,628 |
| Additions                                |      | 34,086                  | 0                      | 34,086  |
| Reclassification                         |      | (6)                     | 0                      | (6)     |
| Balance as at December 31, 2023          |      | 841,664                 | 2,044                  | 843,708 |
| Effect of movements in exchange rates    |      | (677)                   | 0                      | (677)   |
| Balance as at March 31, 2024 (Unaudited) |      | 840,987                 | 2,044                  | 843,031 |

|                                       |  | Furniture and equipment | Leasehold improvements | Total   |
|---------------------------------------|--|-------------------------|------------------------|---------|
| Accumulated depreciation              |  |                         |                        |         |
| Balance as at December 31, 2022       |  | 555,996                 | 455                    | 556,451 |
| Depreciation                          |  | 166,763                 | 341                    | 167,104 |
| Reclassification                      |  | (6)                     | 0                      | (6)     |
| Balance as at December 31, 2023       |  | 722,753                 | 796                    | 723,549 |
| Depreciation                          |  | 22,197                  | 84                     | 22,281  |
| Effect of movements in exchange rates |  | (315)                   | 0                      | (315)   |
| As at March 31, 2024 (Unaudited)      |  | 744,635                 | 880                    | 745,515 |

|                             |  | Furniture and equipment | Leasehold improvements | Total   |
|-----------------------------|--|-------------------------|------------------------|---------|
| Net book value              |  |                         |                        |         |
| December 31, 2023 (Audited) |  | 118,911                 | 1,248                  | 120,159 |
| March 31, 2024 (Unaudited)  |  | 96,352                  | 1,164                  | 97,516  |

**10. Intangible assets**

Patent, trademarks, license and product development are as follows:

| Cost                                      | Patent | Trademark | License   | Product Development | Total     |
|---|--------|-----------|-----------|---------------------|-----------|
| Balance as at December 31, 2022           | 5,270  | 111,974   | 1,000,000 | 1,737,762           | 2,855,006 |
| Additions                                 | 35,853 | 57,246    | 0         | 57,810              | 150,909   |
| Adjustment                                |        | (30,372)  | 0         | (25,453)            | (55,825)  |
| Balance as at December 31, 2023 (Audited) | 41,123 | 138,848   | 1,000,000 | 1,770,119           | 2,950,090 |
| Additions                                 | 0      | 1,600     | 0         | 0                   | 1,600     |
| Effect of movements in exchange rates     | 0      | (1,079)   | 0         | 0                   | (1,079)   |
| As at March 31, 2024 (Unaudited)          | 41,123 | 139,369   | 1,000,000 | 1,770,119           | 2,950,611 |

|   | Patent | Trademark | License   | Product Development | Total     |
|---|--------|-----------|-----------|---------------------|-----------|
| Accumulated amortization                  |        |           |           |                     |           |
| Balance as at December 31, 2022           | 0      | 0         | 816,666   | 0                   | 816,666   |
| Amortization                              | 0      | 0         | 183,334   | 36,789              | 220,123   |
| Balance as at December 31, 2023 (Audited) | 0      | 0         | 1,000,000 | 36,789              | 1,036,789 |
| Amortization                              | 0      | 0         | 0         | 37,089              | 37,089    |
| As at March 31, 2024 (Unaudited)          | 0      | 0         | 1,000,000 | 73,878              | 1,073,878 |



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|                                   |               |                |          |                  |                  |
|-----------------------------------|---------------|----------------|----------|------------------|------------------|
| <b>Net book value</b>             |               |                |          |                  |                  |
| December 31, 2023 (Audited)       | 41,123        | 138,848        | 0        | 1,733,330        | 1,913,301        |
| <b>March 31, 2024 (Unaudited)</b> | <b>41,123</b> | <b>139,369</b> | <b>0</b> | <b>1,696,241</b> | <b>1,876,733</b> |

Development costs consist of the costs of developing a prototype for its Sprout AI habitat and ETCH BioTrace exclusivity license agreement. As at December 31, 2023 the Sprout V2 started to be used.

Management regularly assesses intangible assets for impairment indicators and has determined that no impairment adjustment is required for the year ended March 31, 2024 (2023: USD Nil).

### **11. Accounts payable and other**

Accounts payable and other liabilities are as follows:

|                                | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|--------------------------------|---------------------------------------|--|
| Trade accounts payable         | 1,649,709                             | 1,323,854                              |
| Accrued liabilities            | 99,805                                | 78,552                                 |
| Government remittances payable | 4,278                                 | 4,644                                  |
|                                | <b>1,753,792</b>                      | <b>1,407,050</b>                       |
| Due to related parties         | 156,357                               | 148,250                                |
|                                | <b>1,910,149</b>                      | <b>1,555,300</b>                       |

### **12. Customer advances**

The customer advances are funds paid by customers in advance for delivery of Sprout AI Habitat Systems based on the sales agreements. All deposits are non-refundable. There are no external restrictions on the use of these deposits.

|   | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|---|---------------------------------------|--|
| Balance - Beginning of period               | 772,315                               | 885,015                                |
| <b>Revenue recognized during the period</b> | <b>0</b>                              | <b>(112,700)</b>                       |
| <b>Balance - End of period</b>              | <b>772,315</b>                        | <b>772,315</b>                         |

During the year 2023, the Group formally delivered management services to its client IMAH for the amount of USD112,700.

### **13. Loans**

#### **Canada Emergency Business Account ("CEBA") Loans**

During 2020, through its Canadian subsidiaries TheraCann Canada Benchmark Corporation and TheraCann Canada Inc. the Canadian subsidiaries received interest free loans of CAD\$40,000 each through the Canada Emergency Business Account (CEBA). As of March 31, 2024 the CEBA loans balance was USD59,512 (2023: USD60,186). Effective January 1, 2024, any outstanding balance on the term loans shall bear interest at a rate of 6% per annum. The term loans mature on December 31, 2026.

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Set out below is the total movement of the CEBA loans:

|   |         |
|---|---------|
| Balance as at December 31, 2022           | 47,074  |
| Foreign exchange loss                     | 1,373   |
| Interest expense                          | 11,739  |
| Balance as at December 31, 2023 (Audited) | 60,186  |
| Current portion                           | 0       |
| Long-term portion                         | 60,186  |
| Balance as at December 31, 2023 (Audited) | 60,186  |
| Balance as at December 31, 2023           | 60,186  |
| Foreign exchange gain                     | (1,206) |
| Interest expense                          | 534     |
| Balance as at March 31, 2024 (Unaudited)  | 59,512  |
| Current portion                           | 0       |
| Long-term portion                         | 59,512  |
| Balance as at March 31, 2024 (Unaudited)  | 59,512  |

The following table sets out the maturity analysis of loan payments, showing the undiscounted principal payments to be made as at March 31, 2024:

|                |        |
|----------------|--------|
| 2026           | 60,000 |
| Total payments | 60,000 |

**Promissory Notes**

On November 1, 2019, TheraCann Canada Inc. a subsidiary of the Group signed two 10 years Promissory Note agreements with Shawn Halter and Robert Bolton for CAD\$10,000 and CAD\$20,000 respectively. Both Shawn Halter and Robert Bolton are directors of the Group and are considered related parties. The notes bear interest of 8% payable annually.

On November 28, 2019, TheraCann Canada Inc. a subsidiary of the Group signed a 10-year promissory note agreement with Julie-Anne Bolton, a related party, for CAD\$13,000. The note bear interest of 8% payable annually.

| Shareholder       | Maturity  | Rate  | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|-------------------|-----------|-------|-------------------------------|--------------------------------|
| Julie-Anne Bolton | 29-Nov-29 | 8.00% | 8,297                         | 8,116                          |
| Robert Bolton     | 2-Nov-29  | 8.00% | 15,356                        | 15,022                         |
| Shawn Halter      | 2-Nov-29  | 8.00% | 10,727                        | 10,494                         |
|                   |           |       | 34,380                        | 33,632                         |

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Set out below is the total movement of the Promissory Notes:

|   |         |
|---|---------|
| Balance as at December 31, 2022           | 25,454  |
| Foreign exchange loss                     | 764     |
| Interest expense                          | 7,414   |
| Balance as at December 31, 2023 (Audited) | 33,632  |
| Current portion                           | 0       |
| Long-term portion                         | 33,632  |
| Balance as at December 31, 2023 (Audited) | 33,632  |
| Balance as at December 31, 2023           | 33,632  |
| Foreign exchange gain                     | (1,090) |
| Interest                                  | 1,838   |
| Balance as at March 31, 2024 (Unaudited)  | 34,380  |
| Current portion                           | 0       |
| Long-term portion                         | 34,380  |
| Balance as at March 31, 2024 (Unaudited)  | 34,380  |

**Loan Agreement**

In March 2022, the Sprout AI Inc. a Subsidiary of the Group entered into a Loan Agreement with Mr. Shawn Halter, whereby the Subsidiary borrowed USD520,000 at a rate of 6% to be repaid over a three-year period. The Loan Agreement was amended in April 2022 to reflect updated terms for repayment. The Loan Agreement was amended in April 2023 and December 2023 to reflect updated terms for repayment. The loan will be repaid starting on August 31, 2023, and over a period of forty months with progressive monthly installments from USD5,000 to USD30,321. The loan will be extinguished in full in December 2026.

Set out below is the total movement of the loan agreement:

|   |         |
|---|---------|
| Balance as at December 31, 2022           | 502,159 |
| Repayment of loan to shareholder          | (5,001) |
| Interest expense                          | 30,846  |
| Balance as at December 31, 2023 (Audited) | 528,004 |
| Interest expense                          | 10,644  |
| Foreign exchange                          | (2,331) |
| Repayment of loan to shareholder          | (4,000) |
| Balance as at March 31, 2024 (Unaudited)  | 532,317 |
| Current portion                           | 26,916  |
| Long-term portion                         | 505,401 |
| Balance as at March 31, 2024 (Unaudited)  | 532,317 |

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The following table sets out the maturity analysis of loan payments, showing the undiscounted principal payments to be made as at March 31, 2024:

|                       |                |
|-----------------------|----------------|
| 2024                  | 31,528         |
| 2025                  | 161,115        |
| 2026                  | 356,023        |
| 2027                  | 5,858          |
| 2028                  | 6,344          |
| 2029                  | 5,828          |
| <b>Total payments</b> | <b>566,696</b> |

Set out below is the total movement of the loans:

|   | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|---|---------------------------------------|--|
| Balance as at beginning of the period     | 621,822                               | 574,687                                |
| Repayments of loans to shareholders       | (4,000)                               | (5,001)                                |
| Foreign exchange movement                 | (4,629)                               | 2,137                                  |
| Interest expense                          | 13,016                                | 49,999                                 |
| <b>Balance as at ending of the period</b> | <b>626,209</b>                        | <b>621,822</b>                         |

|   | <b>March 31, 2024 (Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|---|-----------------------------------|--|
| Current portion                           | 26,916                            | 22,603                                 |
| Long-term portion                         | 599,293                           | 599,219                                |
| <b>Balance as at ending of the period</b> | <b>626,209</b>                    | <b>621,822</b>                         |

Set out below is the resume of the loans:

|   | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|---|---------------------------------------|--|
| CEBA Loans                                | 59,512                                | 60,186                                 |
| Promissory Notes                          | 34,380                                | 33,632                                 |
| Loan Agreement                            | 532,317                               | 528,004                                |
| <b>Balance as at ending of the period</b> | <b>626,209</b>                        | <b>621,822</b>                         |

#### **14. Convertible debentures**

##### **Series A, B and C**

Through a series of closings in March 2018, May 2018, and July 2018, the Parent Company (TIBC) closed a brokered private placement issuance of 377 unsecured convertible debentures ("convertible debentures") with a face value of CAD\$10,000 per debenture for gross proceeds of CAD\$3,770,000. According to their terms the convertible debentures mature 24 months from closing and bear interest at a rate of 8% per annum. The convertible debentures are convertible at any time one year after issue date at the holder's option into common shares of the Company at CAD\$7.50 per common share.

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Upon a liquidity event (means the listing of the common shares on a stock exchange; the sale of all or substantially all of the issued and outstanding common shares or all or substantially all of the issued and outstanding common shares or all substantially all of the assets of the Borrower for cash proceeds or for such securities provided that such securities are listed and posted for trading in a stock exchange; or the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving the Borrower with or into another entity pursuant to which the common shares of the resulting issuer are listed on a stock exchange), the convertible debentures automatically convert into common shares of the Parent Company at a 25% discount to the liquidity event price per common share. Should the term of the convertible debentures reach maturity, interest shall be payable in cash or common shares, at the conversion price, at the option of the holder. If the convertible debentures convert at anytime prior to maturity, interest is payable in common shares at the conversion price.

One director received 2,000 common share purchase warrants for each convertible debenture resulting in the issuance 10,000 common share purchase warrants. Each warrant can be exercised into a common share from the date of grant to the earlier of; (a) 24 months from date of grant; and (b) 12 months following any liquidity event (the "Expiry Date"). The warrants are exercisable anytime prior to the Expiry Date at CAD\$7.50 per share or, upon a liquidity event, the warrants are exercisable at a 25% discount to the liquidity event price per common share.

**Employee and advisor issuance**

On February 22, 2019, the Parent Company closed a private placement issuance to employees and advisors of Parent company of 306 convertible debentures with a face value of CAD\$1,000 per debenture for gross proceeds of CAD\$306,000. The convertible debentures mature 24 months from closing and are non-interest bearing. The convertible debentures are convertible at any time at the holder's option into common shares of the Company at CAD\$5.00 per common share. Upon a liquidity event, the convertible debentures automatically convert into common shares of the Parent Company at a 50% discount to the liquidity event price per common share.

On July 11, 2019, the Parent Company closed a private placement issuance to employees and advisors of TheraCann of 153 convertible debentures with a face value of CAD\$1,000 per debenture for gross proceeds of CAD\$153,000. The convertible debentures mature 24 months from closing and are non-interest bearing. The convertible debentures are convertible at any time at the holder's option into common shares of the Company at CAD\$5.00 per common share. Upon a liquidity event, the convertible debentures automatically convert into common shares of the Company at a 50% discount to the liquidity event price per common share.

**Bridge Round**

On April 24 and July 7, 2019, the Parent Company closed a private placement issuance of 2,635 convertible debentures with a face value of CAD1,000 per debenture for gross proceeds of CAD2,365,000. The convertible debentures mature 24 months from closing and bear interest at a rate of 8% per annum. The convertible debentures are convertible at any time one year after issue date at the holder's option into common shares of the Parent Company at CAD\$7.00 per common share. Upon a liquidity event, the convertible debentures automatically convert into common shares of the Parent Company with the lesser of a 20% discount to the liquidity event price per common share or the value that would be attributed to each outstanding common share if the enterprise value of the corporation at the time of liquidity event was calculated as USD60,000,000.

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**Summary of Warrant Terms (Debenture Holder Warrants)**

The Parent Company provides its holders with stand-alone transferrable warrants (Series A, B, C) as additional compensation for their investment. Each warrant entitles the warrant holder to purchase 1 common share of Parent Company on the earlier of (i) 2 years from issuance; and (ii) 1 year after the Liquidity Event. Based on the representations made, the terms for each series A, B and C of issuances were identical with the exception of the issuance and maturity dates.

The Notes provide their holders with stand-alone transferrable warrants ((Bridge-Round 1 and 2) as additional compensation for their investment. Each warrant entitles the warrant holder to purchase 1 common share of The Parent Company on the earlier of (i) 2 years from issuance; and (ii) 18 months after the Liquidity Event.

**Summary of Warrant Terms (Broker Warrants)**

In addition to the warrants awarded to the holders, The Parent Company also issued 15,000 warrants to agents for supporting the issuances of the Notes. The terms and conditions of the Broker Warrants are the same as those of the Holder Warrants. Conversion rights are subject to adjustment if the Parent Company subdivides, re-divides or changes its outstanding common shares. If any such changes are implemented which result in the dilution or concentration of shares, the conversion price will be adjusted accordingly.

The convertible debentures are a compound financial instrument which includes a debt liability component and conversion option derivative liability. The debt liability component has been classified as a financial liability at amortized cost. The debt liability component represents the present value of the principal payments over the life of the financial instrument discounted at an approximate rate available to the Parent Company for similar debt without a conversion feature at the date the convertible debentures were issued.

The conversion option derivative liability has been classified as a financial liability held at fair value through loss and other comprehensive loss. The fair value of the conversion option derivative liability was calculated as the difference between the fair value of the convertible debentures with the conversion option and the fair value of the convertible debentures without the conversion option. The fair value of the conversion option derivative liability will be calculated each period end with the difference being recognized in the statement of loss and other comprehensive loss.

The convertible debentures expired on July 31, 2023 therefore the convertible component is zero and the convertible debentures is full liability at amortized cost (sum of principal plus interest) at the last valuation dated as of December 31, 2023 and March 31, 2024.

The Debentures Holders and the Parent Company have agreed to amend the Debentures to extend the Maturity Date of July 31, 2023, to August, 2024.

|                    | Seria A   | Seria B   | Seria C   | Director   | Bridge-Round | Employee  | Total     |
|--------------------|-----------|-----------|-----------|------------|--------------|-----------|-----------|
| Issuance date      | 3/29/2018 | 5/3/2018  | 7/31/2018 | 10/25/2018 | 7/11/2019    | 2/22/2019 | N/A       |
| Issued #           | 35        | 230       | 112       | 5          | 2,365        | 459       | 3,206     |
| Gross Amount (CAD) | 350,000   | 2,300,000 | 1,120,000 | 50,000     | 2,365,000    | 459,300   | 6,644,300 |
| Gross Amount (USD) | 271,460   | 1,783,420 | 860,384   | 38,750     | 1,897,676    | 361,699   | 5,213,389 |
| Interest rate      | 8%        | 8%        | 8%        | 8%         | 8%           | 0%        | N/A       |
| Original Term      | 24        | 24        | 24        | 24         | 24           | 24        | N/A       |
| Extension term     | 24        | 24        | 24        | 24         | 24           | 24        | N/A       |

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|  |                |                  |                  |                |                  |                  |                   |
|--|----------------|------------------|------------------|----------------|------------------|------------------|-------------------|
| Fair value at issuance (USD)   |                |                  |                  |                |                  |                  |                   |
| Debt liability   | 759,805        | 4,987,334        | 2,413,029        | 105,565        | 3,768,687        | 709,447          | 12,743,867        |
| Conversion option liability  | 147,148        | 274,394          | (181,380)        | 62,502         | (516,235)        | 347,804          | 134,233           |
| Warrant liability  | 13,624         | 71,476           | 26,449           | 3,028          | 20,927           | 18,529           | 154,033           |
| <b>Balance, December 31, 2023 (Audited) and March 31, 2024 (Unaudited)</b> | <b>920,577</b> | <b>5,333,204</b> | <b>2,258,098</b> | <b>171,095</b> | <b>3,273,379</b> | <b>1,075,780</b> | <b>13,032,133</b> |

|  | Debt Liability   | Conversion option derivative liability | Warrant liability | Total             |
|--|------------------|--|-------------------|-------------------|
| Balance, December 31, 2022   | 6,149,481        | 2,740,379                              | 3,041,798         | 11,931,658        |
| Accretion  | 428,122          | 0                                      | 0                 | 428,122           |
| Change fair value  | 0                | (2,733,177)                            | 2,867,410         | 134,233           |
| Foreign exchange effect  | 391,289          | (7,202)                                | 154,033           | 538,120           |
| <b>Balance, December 31, 2023 (Audited) and March 31, 2024 (Unaudited)</b> | <b>6,968,892</b> | <b>0</b>                               | <b>6,063,241</b>  | <b>13,032,133</b> |

## 15. Lease liabilities

The Group Lease a commercial space and office space located at the International Business Park in Panamá Pacifico. The Group's lease commenced in January 2019. The Group has an option to extend the lease beyond the three-year non-cancellable term for an additional term of three years.

The Group has also recognized a lease liability for those leases, which was initially measured at the present value of the future lease payments, discounted using the Group's incremental borrowing rate of 1.3% and 2% for the leased building and office equipment, respectively. Interest expense on the lease liabilities is included in the condensed consolidated interim statements of loss and other comprehensive loss.

The following table details the discounted cash flows and contractual maturities of the Group's lease obligations, as at March 31, 2024:

|  | Building  | Equipment    | Total        |
|--|-----------|--------------|--------------|
| Balance as at December 31, 2022                  | 280,213   | 5,084        | 285,297      |
| Interest   | 26,496    | 129          | 26,625       |
| Lease payments                                   | (306,709) | (3,169)      | (309,878)    |
| <b>Balance as at December 31, 2023 (Audited)</b> | <b>0</b>  | <b>2,044</b> | <b>2,044</b> |
| Interest   | 0         | 8            | 8            |
| Lease payments                                   | 0         | (700)        | (700)        |
| <b>Balance as at March 31, 2024 (Unaudited)</b>  | <b>0</b>  | <b>1,352</b> | <b>1,352</b> |
| Current portion                                  | 0         | 1,352        | 1,352        |
| Long-term portion                                | 0         | 0            | 0            |
| <b>Balance as at March 31, 2024 (Unaudited)</b>  | <b>0</b>  | <b>1,352</b> | <b>1,352</b> |

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The following table sets out the maturity analysis of lease payments, showing the discounted lease payments to be made as at March 31, 2024:

**March 31, 2024**

|                              |       |
|------------------------------|-------|
| 2024                         | 1,295 |
| Total contractual cash flows | 1,295 |
| Interest                     | 57    |
| Lease liabilities            | 1,352 |

**December 31, 2023**

|                              |       |
|------------------------------|-------|
| 2024                         | 2,072 |
| Total contractual cash flows | 2,072 |
| Interest                     | (28)  |
| Lease liability              | 2,044 |

On January 31, 2024, management and lessor agreed not to exercise the extension option of the lease of the building and to terminate the lease effective April 30, 2024 the day on which the Group formally moves out.

## 16. Share capital

Share capital are as follows:

|   | Number of common<br>shares | Share capital amounts |
|---|----------------------------|-----------------------|
| Balance at December 31, 2023 and March 31, 2024 | 10,000,000                 | 10,000                |

On April 18, 2018, the Parent Company increased its share capital to USD10,000, divided into 10,000,000 common shares with a nominal value of USD 0.001 each, as per public deed 9358, registered in the Public Registry of Panama, representing the share capital, authorised, issued and outstanding.

## 17. Capital stock reserve

During the year ended December 31, 2021, the Group issued 10,000,000 of PB warrants pursuant to Reverse Take-Over (RTO) with an estimated fair value of USD25,351 using the Black-Scholes option pricing model (notes 1 and 4). The reserve is increased by the fair value on issuance of warrants and is reduced by corresponding amounts when the warrants are exercised.

## 18. Revenue

Revenue from external customers are as follows:

|                       | March 31, 2024<br>(Unaudited) | March 31, 2023<br>(Unaudited) |
|-----------------------|-------------------------------|-------------------------------|
| Sales of products:    |                               |                               |
| Fruits                | 79                            | 0                             |
| Service revenue:      |                               |                               |
| Consulting services   | 0                             | 159,306                       |
| <b>Total revenues</b> | <b>79</b>                     | <b>159,306</b>                |



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Revenue from external customers is derived as product revenue earned from end users who purchase our goods through the Group's primary distributors, TheraCann International Benchmark Corporation Subsidiaries. Revenue may also be derived from storage of products on behalf of end users if the end user is not able to pay final balances prior to shipment. The Subsidiary Sprout AI, S. A. does not mark up the cost of the Group's goods. The primary distributors receive payments from end user to install, operate, and maintain the Group's goods at the end user location.

Freight costs of the Group's goods are paid either by the Group or the end user. The Group recognizes product and storage on a gross basis.

Products are paid by non-refundable deposits. The percentage of deposit will vary depending on size of order, time to delivery order, and shipping constraints. Typically, orders are paid with a deposit to commence order, and the remaining balance due prior to shipment to the customer's chosen destination.

Deferred revenue is recorded for the period of time between when the order is placed and when the order has been shipped to the customer's chosen destination. Storage is to be paid monthly and is due on receipt of invoice.

Other revenues are from management, consulting, and software development services and are recognized in accordance with their respective agreements.

**19. Other comprehensive income (OCI)**

The following table set out the comparison of other comprehensive income (OCI) between the period ended on March 31, 2024, and March 31, 2023:

| OCI components                               | March 31, 2024<br>(Unaudited) | March 31, 2023<br>(Unaudited) |
|--|-------------------------------|-------------------------------|
| Gains/loss from foreign currency translation | 4,417                         | 788                           |

**20. General and administrative expenses**

General and administrative expenses are as follows:

|  | March 31, 2024<br>(Unaudited) | March 31, 2023<br>(Unaudited) |
|--|-------------------------------|-------------------------------|
| Payroll expenses                         | 214,054                       | 123,960                       |
| Professional fess                        | 72,216                        | 9,486                         |
| Office administration and other expenses | 12,656                        | 33                            |
| Advertising and Promotion                | 194                           | 0                             |
| Insurance                                | 525                           | 788                           |
| Licensing fees                           | 1,462                         | 1,468                         |
| Dues and subscription                    | 2,235                         | 3,218                         |
| Bank Charges                             | 2,076                         | 2,415                         |
|  | 305,418                       | 141,368                       |

As of March 31, 2024, the total employees are 16 (March 31, 2023: 16).

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**21. Contingencies and commitments**

a) The Group is committed to equipment rental payments as following:

|              |              |
|--------------|--------------|
| 2024         | 1,352        |
| <b>Total</b> | <b>1,352</b> |

b) The Parent Company has received statements of claim with respect to allegations of wrongful dismissal by certain employees in the amount of USD318,958. In the opinion of the Parent Company's management, the claims are without merit and any settlement will not have a material impact on the condensed consolidated interim financial position, operations or condensed consolidated interim cash flows of the Group. Accordingly, no provision has been recorded in these condensed consolidated interim financial statements.

c) The Subsidiary Sprout AI, S. A. has received statements of claim with respect to service billing by the previous payroll service provider in the amount of USD81,343. Accordingly, a provision of such amount has been recorded in accounts payable and accrued liabilities on the condensed consolidated interim statements of financial position.

d) The Parent Company has received a claim by debenture holder, the claim alleges that the Parent Company owes the amount of USD2,843,792 on two debentures agreements issued in 2018 (USD1,000,000) and 2019 (USD2,000,000) inclusive of interest. The Parent Company has claimed against its debenture holder for the total amount of USD90,000,000 for loss of capitalization and USD50,000,000 for loss of economic opportunity, punitive damages, and full indemnification of cost.

In the opinion of the Parent Company's management, the claims are without merit and any settlement will not have a material impact on the condensed consolidated interim financial position, operations or condensed consolidated interim cash flows of the Group. Accordingly, no provision has been recorded in these condensed consolidated interim financial statements.

e) The Subsidiary TheraCann Australia Benchmark Pty Ltd. has received a counterclaimed against its Temporal Staffing Recruitment for the total amount of USD49,580. The Subsidiary has claimed against its Temporal Staffing Recruitment for the total amount of USD66,486. In the opinion of the Subsidiary's management, the counter claims are without merit and any settlement will not have a material impact on the condensed consolidated interim financial position, operations or condensed consolidated interim cash flows of the Group. Accordingly, no provision has been recorded in these condensed consolidated interim financial statements.

f) As of March 31, 2024, the Subsidiary Sprout AI, S. A. has an outstanding account payable (payment agreement) to the Social Security Fund of Panama in the amount of USD88,029.

**22. Financial instruments and risk management**

The Group's financial instruments consist of cash, accounts receivable and other, due from related parties, accounts payable and accrued liabilities, loan payable and due to related parties.

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**Credit risk and economic dependence**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk on the accounts receivable from its customers and due from related parties. In order to reduce its credit risk, the Group has adopted credit policies which include the analysis of the financial position of its customers and regular review of their credit limits.

As of March 31, 2024, the Group had USD41,425 (December 31, 2023: USD42,440) of financial assets carried at amortized cost which were subject to expected credit loss assessment in accordance with IFRS 9.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Group will be able to obtain required financing in the future on acceptable terms. The Group anticipates it will need additional capital in the future to finance ongoing operations, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Group has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to fund its operations, although the Group has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Group in creating revenue, cash flows or earnings. While the Group has been successful in securing parent company loans in the past, there is no assurance that it will be able to do so in the future.

All the Group's liabilities, with the exception of the lease liabilities and non-current portion of the long-term debt, are due within the next 12 months.

| <b>Payment Due by Year</b>               | <b>Recognized in the condensed consolidated interim financial statements</b> | <b>Total</b>      | <b>Less than 1 year</b> | <b>2-3 years</b> | <b>4-5 years</b> | <b>More than 5 years</b> |
|--|--|-------------------|-------------------------|------------------|------------------|--------------------------|
| Accounts payable and accrued liabilities | Yes-Liability  | 1,910,149         | 1,910,149               | 0                | 0                | 0                        |
| Accrued and payroll liabilities          | Yes-Liability  | 191,716           | 191,716                 | 0                | 0                | 0                        |
| Convertible debentures                   | Yes-Liability  | 13,032,133        | 13,032,133              | 0                | 0                | 0                        |
| Loans                                    | Yes-Liability  | 626,209           | 91,040                  | 517,138          | 12,203           | 5,828                    |
| Minimum lease payments                   | Yes-Liability  | 1,352             | 1,352                   | 0                | 0                | 0                        |
| <b>As of March 31, 2024 (Unaudited)</b>  |  | <b>15,761,559</b> | <b>15,226,390</b>       | <b>517,138</b>   | <b>12,203</b>    | <b>5,828</b>             |

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| Payment Due by Year                      | Recognized in the condensed consolidated interim financial statements | Total             | Less than 1 year  | 2-3 years      | 4-5 years     | More than 5 years |
|--|---|-------------------|-------------------|----------------|---------------|-------------------|
| Accounts payable and other               | Yes-Liability   | 1,555,300         | 1,555,300         | 0              | 0             | 0                 |
| Accrued and payroll liabilities          | Yes-Liability   | 175,905           | 175,905           | 0              | 0             | 0                 |
| Convertible debentures                   | Yes-Liability   | 13,032,133        | 13,032,133        | 0              | 0             | 0                 |
| Loans                                    | Yes-Liability   | 621,822           | 102,289           | 501,060        | 12,502        | 5,971             |
| Minimum lease payments                   | Yes-Liability   | 2,044             | 2,044             | 0              | 0             | 0                 |
| <b>As of December 31, 2023 (Audited)</b> |   | <b>15,387,204</b> | <b>14,867,671</b> | <b>501,060</b> | <b>12,502</b> | <b>5,971</b>      |

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk is the risk to the Group's earnings that arises from volatility in foreign exchange rates. The Group may have contracts with clients to receive fees in currencies other than its measurement currency. This may have an adverse effect on the value of future revenues and assets dominated in currencies other than the United States Dollars, absent any Group specific event.

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TIBC:

|                        | March 31, 2024 (Unaudited) | December 31, 2023 (Audited) |
|------------------------|----------------------------|-----------------------------|
| Convertible debentures | (15,197,791)               | (15,197,791)                |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for SAI:

|                 | March 31, 2024 (Unaudited) | December 31, 2023 (Audited) |
|-----------------|----------------------------|-----------------------------|
| Cash            | 30,564                     | 2,929                       |
| Account payable | 499,885                    | 486,669                     |
| Loans           | 667,653                    | 665,825                     |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TCAN and TCI:

|                           | March 31, 2024 (Unaudited) | December 31, 2023 (Audited) |
|---------------------------|----------------------------|-----------------------------|
| Cash                      | 4                          | 183                         |
| Account payable and other | 51,839                     | 56,472                      |
| Customer advance          | 63,839                     | 63,839                      |
| Loans                     | 127,217                    | 124,084                     |

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Included in the undernoted accounts are the following Australian Dollar (AUD) Balances for TAUS and SAA:

|                  | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|------------------|-------------------------------|--------------------------------|
| Cash             | 458                           | 8,746                          |
| Account payable  | 135,397                       | 142,493                        |
| Customer advance | 1,066,707                     | 1,066,707                      |

Included in the undernoted accounts are the following South African Rand (ZAR) Balances for TAFR:

|                 | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|-----------------|-------------------------------|--------------------------------|
| Account payable | 78,956                        | 44,941                         |

**Interest rate risk**

The Group has deposits in financial institutions. The Group is exposed to reductions in interest rates, which could impact expected current and future returns. As at March 31, 2024, the amount of USD217,451 (2023: USD34,244) was held in deposits with financial institutions.

**March 31, 2024 (Unaudited)**

|                             | Floating Rate<br>Financial<br>Instruments | Fixed Rate<br>Financial<br>Instruments | Non-interest<br>bearing | Total      |
|-----------------------------|---|--|-------------------------|------------|
| Financial assets            | 217,451                                   | 0                                      | 35,000                  | 252,451    |
|                             | 217,451                                   | 0                                      | 35,000                  | 252,451    |
| Financial liabilities       |   |  |                         |            |
| Other financial liabilities | 0   | 13,659,694                             | 772,315                 | 14,432,009 |

**December 31, 2023 (Audited)**

|                             | Floating Rate Financial<br>Instruments | Fixed Rate<br>Financial<br>Instruments | Non-interest<br>bearing | Total      |
|-----------------------------|--|--|-------------------------|------------|
| Financial assets            | 34,244                                 | 0                                      | 10,000                  | 44,244     |
|                             | 34,244                                 | 0                                      | 10,000                  | 44,244     |
| Financial liabilities       |  |  |                         |            |
| Other financial liabilities | 0                                      | 13,655,999                             | 772,315                 | 14,428,314 |

**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest risk or currency risk. The Group is not exposed to any other price risk.

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**Fair value measurements of financial assets and liabilities**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value and carrying value of financial assets and liabilities are as a follow:

| Financial assets         | Carrying value | March 31, 2024<br>(Unaudited) | Carrying value | December 31, 2023<br>(Audited) |
|--------------------------|----------------|-------------------------------|----------------|--------------------------------|
|                          |                | Fair value                    |                | Fair value                     |
| Cash                     | 217,451        | 217,451                       | 34,244         | 34,244                         |
| Due from related parties | 41,425         | 41,425                        | 42,440         | 42,440                         |
|                          | 258,876        | 258,876                       | 76,684         | 76,684                         |

| Financial liabilities           | Carrying value | March 31, 2024<br>(Unaudited) | Carrying value | December 31, 2023<br>(Audited) |
|---------------------------------|----------------|-------------------------------|----------------|--------------------------------|
|                                 |                | Fair value                    |                | Fair value                     |
| Accounts payable and other      | 1,753,792      | 1,753,792                     | 1,407,050      | 1,407,050                      |
| Accrued and payroll liabilities | 191,716        | 191,716                       | 175,905        | 175,905                        |
| Customer advances               | 772,315        | 772,315                       | 772,315        | 772,315                        |
| Due to related parties          | 156,357        | 156,357                       | 148,250        | 148,250                        |
| Loans                           | 626,209        | 626,209                       | 621,822        | 621,822                        |
| Lease liabilities               | 1,352          | 1,352                         | 2,044          | 2,044                          |
| Income tax payable              | 5,429          | 5,429                         | 5,429          | 5,429                          |
| Convertible debentures          | 13,032,133     | 11,074,781                    | 13,032,133     | 11,074,781                     |
|                                 | 16,539,303     | 14,581,951                    | 16,164,948     | 14,207,596                     |

|                                       |        |        |        |        |
|---------------------------------------|--------|--------|--------|--------|
| Capital stock reserve-broker warrants | 25,351 | 71,647 | 25,351 | 71,647 |
|---------------------------------------|--------|--------|--------|--------|

**23. Related party balances and transactions**

a) Transactions with key management personnel and shareholders

Transactions with key management personnel of the Group include certain members of the Group's Executive Management Team and the Board of Directors and Shareholders which have the responsibilities for strategic planning, oversight and control of the Group. During the period ended on March 31, 2024, the total compensation paid to the executive management team and Board of Directors and shareholders amounted to USD47,228 (2023: USD 52,574).

b) Other related party balances:

| Due from related parties | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|--------------------------|-------------------------------|--------------------------------|
| Christopher Bolton       | 41,425                        | 42,440                         |
|                          | 41,425                        | 42,440                         |

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| <b>Due to related parties</b> | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|-------------------------------|---------------------------------------|--|
| Christopher Bolton            | 124,103                               | 106,149                                |
| Colleen McKay                 | 25,363                                | 25,363                                 |
| Dean Callaway                 | 6,891                                 | 16,738                                 |
|                               | <b>156,357</b>                        | <b>148,250</b>                         |
| <b>Loans to shareholders</b>  | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
| Julie Bolton                  | 8,297                                 | 8,116                                  |
| Robert Bolton                 | 15,356                                | 15,022                                 |
| Shawn Halter                  | 543,044                               | 538,498                                |
|                               | <b>566,697</b>                        | <b>561,636</b>                         |
| <b>Accrued liabilities</b>    | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
| Christopher Bolton            | 94,156                                | 94,156                                 |

The amounts due from/to related parties are unsecured, non-interest bearing and due on demand.

## **24. Income taxes**

TheraCann International Benchmark Corp. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.71-18 March 5, 2018.

Sprout AI, S.A. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.339-19 from October 7, 2019.

ETCH Biotrace S.A. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.324-19 from September 10, 2019.

One System One Solution, S.A. is registered in the Company Registry of Panama Pacific Agency, through Administrative Resolution No.154-19 from June 5, 2019.

TheraCann International Benchmark Corp. (The Parent Company) and the Subsidiaries Sprout AI S.A., One System One Solution, S.A. ETCH Biotrace, S.A. are domiciled in Panama Pacific especial tax zone and present tax-exempt status where they have benefits from the provisions of Law 41 of July 20, 2004, which establishes a special tax regime providing tax exemptions for the specific activities detailed in the aforementioned law, and these exemptions are applicable to the company not subject to corporate income tax on any of its domestic and foreign sales. This tax-exempt status expires in 2027 and can be further extended under current tax legislation.

### Transfer prices

Law 33 of June 30, 2010, modified by Law 52 of August 28, 2012, added Chapter IX to Title I of Book Four of the Fiscal Code, called Standards of Adaptation to Treaties or Agreements to Avoid Double Taxation International, establishing the transfer pricing regime applicable to taxpayers who carry out transactions with related parties residing abroad.

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These taxpayers must determine their income, costs and deductions for tax purposes in their income statements, based on the price or amount that would have been agreed upon by independent parties under similar circumstances under conditions of free competition, using the methods established in said Law 33. This law establishes the obligation to present an informative declaration of operations with related parties (Report 930 implemented by the DGI) within the six months following the close of the corresponding fiscal year, as well as counting, at the time of presentation of the report, with a transfer pricing study that supports what was declared through Report 930. This study must be submitted at the request of the DGI, within a period of 45 days counted from the notification of the requirement. The non-presentation of the informative declaration will result in the application of a fine equivalent to one percent (1%) of the total value of the operations carried out with related parties.

Sprout AI Inc., TheraCann Canada Benchmark Corporation and TheraCann Canada Inc. are subject to the basic federal tax rates of 38% according to the legislation of the government of Canada. During the period ended on March 31, 2024, TheraCann Canada Benchmark Corp. withheld GST taxes totaling USD3,374 and TheraCann Canada Inc. withheld GST taxes totalling USD3,843.

Sprout AI Australia PTY, TheraCann Australia Benchmark PTY LTD, are subject to the corporation federal tax rate of 30% on their taxable income, according to Australian tax legislation. As of March 31, 2024, TheraCann Australia Benchmark PTY LTD has on favor USD2,939 Goods and Services Tax (GST) and USD2,264 with the Australian Taxation Office (ATO).

TheraCann Africa Benchmark Corp. is subject to the standard corporate tax rate of 27%, under the South Africa corporate income tax legislation.

## **25. Capital management.**

The Group manages share capital and capital stock reserve as capital. The objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Group will be able to raise funds in the future. There were no changes to the Group's approach to capital management since incorporation.

The Group is not subject to externally imposed capital requirements. The Group does not currently have adequate sources of capital for the development of its business and will need to raise additional capital by obtaining equity financing through private placements or debt financing. The Group may raise additional debt or equity financing in the near future to meet its current obligations (Note 1).

## **26. Additional paid-in capital**

Starting from February 20, 2023, TheraCann International Benchmark Corporation initiated a plan to issue and sell shares at a price of USD 3.50 per share, which as of the date of this report has accumulated an amount of USD 1,945,737 in additional paid-in capital.

At the moment of this report a total of 622,929 shares, where sold. The shares issued as of the date of this report are in the process of being registered with the Public Registry of Panama.



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**27. Restricted share unit ("RSU") incentive plan**

On May 15, 2023, the board approved an RSU program, which allows the Parent Company to allocate up to 10% of the outstanding shares of the Parent Company. The Board of Directors is in the process of confirming the allocation of 3,715,912 RSU to be distributed between Directors, Offices, General Staff and Resources.

The confirmation and subsequent allocation will be determined and reported to the Parent Company's shareholders as part of the amalgamation transaction mentioned below.

Under the RSU incentive plan, the Parent Company purchases shares of the Parent Company from the open market to distribute to management as compensation. These shares are restricted and reserved in trust for future issuances. The RSUs vesting conditions are set by the Board at the time the RSUs are granted. The RSUs are measured at the fair value at the grant date and reflected as an equity-settled share-based payment. The Parent Company recognizes the compensation cost in loss and other comprehensive loss over the appropriate vesting periods using the graded vesting method.

**28. Subsequent events**

On April 30, 2024 the Ministry of Labor, and Labor Development of the Republic of Panama, absolved TheraCann International Benchmark Corporation, and its related subsidiaries, of any and all claims filed by ex-staff related to 2020 labor claims. This ruling which was granted by the Minister of Labour in favor of TheraCann International, and its related subsidiaries, is considered the final judgement in this matter

Sprout AI, Inc. and Sprout AI, S. A. is in the process of amalgamating with TheraCann International Benchmark Corporation ("TIBC"), which is anticipated to be completed in August 2024. On May 29, 2023, the TheraCann International Benchmark Corporation ("TIBC") entered into an Amalgamation Agreement with Sprout AI, Inc. and Sprout AI, S. A. Under the terms of the Agreement, TheraCann International Benchmark Corporation will acquire the Sprout AI, S.A. in a reverse takeover structure, whereby the companies' operations will be combined. The entities have agreed that the Sprout AI, Inc. will complete a 3,333 to 1 share consolidation prior to the share conversion with TIBC at a ratio of 5,296 Sprout AI Inc., Shares for 1 TIBC share.

This will result in TheraCann International Benchmark Corporation ("TIBC") shareholders owning approximately 70% of the common equity post completion. The arrangement is subject to the regulatory authorities' approval and the Parent Company's shareholder approval.

The Group has successfully moved to new facilities located in the Panama Viejo Business Center industrial complex, Warehouse-Office No. G7 on May 1, 2024.

Under a promissory note dated May 3, 2024, the Parent Company entered into a payment agreement with its lease provider London & Regional, in the amount of USD465,806, the parties have agreed the final payment date of the promissory note is June 20, 2024.

**TheraCann International Benchmark Corporation and Subsidiaries**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**INTRODUCTION**

This management's discussion and analysis ("MD&A") of the financial position and results of operations for TheraCann International Benchmark Corporation and Subsidiaries (the Group) is prepared by management as at May 30, 2024. The information herein should be read in conjunction with the interim condensed consolidated financial statements for the three months ended December 31, 2022, and the related notes contained therein, which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 30, 2024.

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue of the Company. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in United States dollars, the reporting currency of the Company, unless specifically noted.

**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include but are not limited to: volatility of stock price and market conditions, regulatory risks, difficulty in forecasting, key personnel, limited operating history, competition, investment capital and market share, market uncertainty, additional capital requirements, management of growth, pricing policies, litigation, no dividend history. The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in the MD&A include: (a) execution of the Company's existing plan to become a global leader and distributor of its products and related product lines. (b) ability to secure distribution partners (c) demand for the Company's products. Forward looking statements are based on a number of assumptions that may prove to be incorrect including but not limited to assumptions about: the impact of competition; the ability to obtain new financing on acceptable terms; the ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest. The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company. Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking statements will materialize. Unless required by applicable securities laws the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, see "Risk Factors".

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "Risk Factors".

**COMPANY BACKGROUND**

TheraCann International Benchmark Corporation ("The Parent Company", "TIBC") was incorporated under the laws of the Republic of Panama, through the Public Deed No. 7137 dated April 26, 2017, and commenced operations on the

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Management's Discussion and Analysis**

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same date. The registered offices were located at Parque Internacional de Negocios, Edificio 3860 Unit 5B, Panama Pacifico, Veracruz Township, Arraiján District, Panama Province, Republic of Panama. The new facilities are located in Panama Viejo Business Center, office G7.

Its main activity is to provide complete turnkey infrastructure solutions with the best technology efficient, affordable, innovative, and adaptable vertical indoor farming to highly regulated markets in the pharmaceutical industry, food industry, and government entities, ensuring traceability and maximum product quality. TheraCann offers a complete supply chain solution. From the industry/project that starts with the legal regulatory framework to production, procedures, distribution, and integration of primary technologies.

The Companies included in the consolidated financial statements of TheraCann International Benchmark Corporation and its wholly owned subsidiaries are the following:

Sprout AI Inc. ("SAI". Formerly, 12682803 B.C. Ltd.), a subsidiary owned 53% by the "Parent Company" was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. On June 1, 2021, Sprout AI, Inc. changed its name from "12682803 B.C. Ltd." to Sprout AI Inc. On July 5, 2021, the shares of the Company began trading on the Canadian Securities Exchange ("CSE") under the symbol of SPRT and subsequently changed to BYFM on November 5, 2021. On January 14, 2022, the shares of the Company began trading on the United States OTC stock market under the symbol BYFMF. The Company's head office is located at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2. The Company is engaged in vertical farming technology and is in the business of planning, design, manufacturing and /or assembling sustainable and scalable AI-controlled vertical cultivation equipment (the "habitat") for indoor vertical farming.

Sprout AI S.A. ("SASA") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on November 19, 2018, in the Republic of Panama through Public Deed No. 30280. The registered office of Sprout is located at The International Business Park Unit 5B, Building 3860, Panama Pacifico, Republic of Panama. SASA was registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 on October 7, 2019.

Sprout AI Australia PTY LTD. ("SAPTY") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on September 6, 2021, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia.

TheraCann Canada Benchmark Corp. ("TCAN") a subsidiary owned 100% by the "Parent Company", was incorporated on January 12, 2016, under the business Act of the Government of Alberta. On January 2, 2019, TCAN and "The Parent Company" entered into a Master Inter-Company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCAN's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

TheraCann Australia Benchmark Pty Ltd. ("TAUS") a subsidiary owned 100% by the "Parent Company" was incorporated on July 17, 2017, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia. On June 1, 2019, TAUS and "The Parent Company" entered into a service agreement in which the "Parent Company" provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAUS's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology.

One System One Solution, S.A., ("OS2") a subsidiary owned 100% by the "Parent Company" was incorporated as a corporation through Public Deed No. 3,336 on February 6, 2018, and registered in the Public Registry of Panama on March 5, 2018. Its main activity is the development of applications for enterprise resource management and compliance. These applications encompass systems that oversee all daily operations, as well as the monitoring and control processes in vertical farming systems using the Sprout technology.

TheraCann Canada Inc. ("TCI") a subsidiary owned 100% by the "Parent Company", was incorporated on April 01, 2019, under the business Act of the Government of Alberta. On July 1, 2019, TCI and "The Parent Company" entered

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into a Master Inter-company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCI's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

ETCH Biotrace, S.A. ("ETCH") a subsidiary owned 100% by the "Parent Company", was incorporated on February 1, 2019, as a private limited company under the laws of the Republic of Panama. ETCH primary activity is to provide plant with irremovable taggant tracking system that can be used to confirm authenticity of crop source.

TheraCann Africa Benchmark ("TAFR") a subsidiary owned 100% by the "Parent Company" was incorporated on June 20, 2022, under the terms of the Minister of Trade and Industry section 223 of the Companies Act 2008 (Act No. 71 of 2008). On June 1, 2022 TAFR and "The Parent Company" entered into a service agreement in which the "Parent Company" provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAFR's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology

#### **COMPANY'S OPERATIONS AND OUTLOOK**

The ability of the Group to be successful in obtaining additional future financing cannot be predicted at this present time and as such there is a material uncertainty that may cast significant doubt on the ability to continue as a going concern. The continuation of the Group as a going concern is dependent on the ability of the Group to achieve positive cash flow from operations and/or obtain necessary equity or other financing to meet its current obligations and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

As we reflect on our journey and look forward to the future, TheraCann International Benchmark Corporation is poised for transformative growth and innovation. Here are the forward-looking statements based on our current initiatives and strategic planning represented by the management:

#### **Financial Strengthening, Capital Raise, and Financial Outlook:**

In Q2 2023, TheraCann initiated a non-brokered private placement round to raise USD1M, selling shares within TheraCann at USD3.50 per Common "A" Voting Share. As of Q3 2023, TheraCann had closed the oversubscribed round at USD1.32M. In Q1 2024 TheraCann initiated a second non-brokered private placement round to raise USD2.5 million for operational and capital expenses at USUSD3.50 per Common "A" Voting Share. As of April 30, 2024 TheraCann was oversubscribed at USD3.85M. Included in this round was a share swap of TheraCann shares valued at USD3.5 per share in exchange for ownership of land in Panama suitable for construction of TheraCann's CPC sized facility. The land was appraised by Colliers valued at USD3,030,000, and is strategically located near one central food production, and packaging center of one of TheraCann's largest grocery store clients. In Q1 2024 TheraCann also secured short term loans totaling USUSD370K, payable at 8% interest per month. In Q2 2024 TheraCann is in process of securing additional lines of credit, and / or mortgages, on the above land totaling up to 80% of the land value to ensure prompt project commencement. In addition to the above TheraCann has also secured memorandum of understanding (MOU), and Term Sheets to access capital post amalgamation between TheraCann and Sprout AI, totaling over USD250M for purposes of financing its 5 years business plan. In so doing, TheraCann has secured sufficient additional capital for sustainable growth and profitability.

**Expansion of Physical Infrastructure:** TheraCann has prepared a 5-year business plan ending December 2029 that includes a planned roll-out of up to 27 separate locations, in up to 7 different countries, that will include a mixture of Discovery Centre (DC), Centre of Excellence (COE), and Commercial Production Centre (CPC) sized facilities. The purpose of these strategic urban farms will be to bring our products closer to consumers, reducing logistics costs and enhancing market responsiveness. By strategically positioning these facilities globally, we will have significantly managed global risks including country, political, economic, project, and technology risks. This expansion aims to cater to grocery store chains and restaurants that heavily rely on imports to service their domestic markets. When fully operational, a DC facility is projected to generate USD3.0 million in revenue with expenses of USD1.6 million, resulting in an EBITDA of USD2.3M, based on a sales price of USD48 per Kg. TheraCann's larger COE facility is expected to achieve revenues of USD7 million with expenses of USD2.6 million, yielding an EBITDA of USD4.7 million based on USD48 per Kg. Finally, the CPC facility, designed to meet high-demand commercial needs, anticipates generating revenues of USD24.7 million with expenses of USD2.3 million, resulting in an EBITDA of USD17 million based on

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USD48 per Kg. In preparation for this expansion plan, the company aims to establish up to 2-4 new FaaS facilities commencing in 2024, consisting of 1-2 DC facilities, and 1-2 CPC facilities.

With an estimated CAPEX cost of USD72 million, these facilities are projected to generate an annual EBITDA of USD38.6 million at full capacity based on USD48 a Kg. The remaining 23 facilities are then designed through 2025 through 2028 in a ramping up schedule of 5-6 facilities per year. At peak production gross revenues of USD140M per year are projected.

**Global Expansion through Local Integration:**

The establishment of partnerships with local universities enables TheraCann to provide practicum and internship programs within each new city farm facility placement. TheraCann currently has proven this model to be very effective in relation to this partnership with UDELAS University of Panama, University of Honduras, and as February 2024 has entered into a three-year agreement with Manipal Dubai University of Dubai, 2024-2027. Each agreement further enhances TheraCann's ability to conduct ongoing research as well as our integration of our operations into local communities and markets. Coupled with these agreements is TheraCann's focus on providing ongoing support to Federal Government Department's of Agriculture. This includes Sprout AI's agreement with the Republic of Panama, Department of Agriculture, Department of Innovation's (IDIAP) two-year agreement to further evaluate the efficacy of Sprout AI's aeroponic and fogponic systems in relation to cultivation of strawberry and potato, in direct comparison to cultivation using hydroponic and traditional field production. IDAP's multi-year evaluation of the Sprout AI system, including analysis of cost of production versus traditional farming is designed to provide impartial analysis of the efficacy of our Farm as a Solution facility and technologies.

**Innovation in Agricultural Technology:**

The introduction in 2022 of our groundbreaking fogponics cultivation hardware system marks a significant technological advancement over the Sprout AI's previous aeroponic hardware system. This hardware innovation not only substantially reduced the risk of cultivation failure, but also expanded the range of possible fruit and vegetable crops that can be produced indoors, including root-based crops such as carrot, beat, and potato. To further advance this hardware innovation in 2023, TheraCann's One System One Solution (OS2) was advanced to version 7.0, together with an advanced artificial intelligence (AI) module that collections, manages, and reports on the optimal operation of each habitat parameter. To further advance this cultivation and hardware system, in 2024 TheraCann's ETCH Biotrace has begun benchscale testing of a new means of adding an irremovable taggant to plants, that does not require use of DNA, that enables the traceability of each batch of crops. This level of traceability not only ensures the full transparency and traceability of each batch of corps from point of cultivation through to final consumption, destruction, or recall, but ensures the substantial reduction of counterfeit produce, and / or grey market produce entering the marketplace. In so doing, Sprout AI's indoor vertical cultivation system has gone well beyond that of any nearest indoor vertical farm competitor, by providing great range of crops, higher yields, and operations that are shown to be more sustainable in terms of power use, water use, and labour. In 2024 we have begun the process of expanding the list of crops to include the cultivation of mushrooms as well. In so doing, TheraCann will have provided the first turn-key indoor Farm as a Solution (FaaS) Facility that includes a wide range of fruit, vegetables, and mushrooms utilizing the same technology, and that is without risk of contamination from biological or chemical sources (is Pure).

**Transition to a Hybrid Operational Model:**

Learning from the challenges faced in client-based "You Own" projects in 2021, and 2021, TheraCann chose to enhance our business model in 2023 by implementing a "We Own" FaaS Facility model. This shift has enabled TheraCann to control the location, timing, and cost of its future projects, as well as to control more aspects of production.

Having relied solely on a "You Own" model resulted in all previous projects starting behind schedule, largely due to client internal managerial issues, including the timely financing of the project. Having adopted a hybrid model, we are now have the option to work with a Client under a "You Own" model, or it financing is directly available to TheraCann, immediately commence a "We Own" model project. As of Q2 2024 TheraCann has commenced a "We Own" project in the Republic of Panama that will be a Commercial Production Centre (CPC) sized facility. Land for this project was procured through a land for TheraCann common "A" voting share swap. Land was subsequently put into Trust, and

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through that trust title to the land was transferred to TheraCann, and shares transferred to the previous owner of the land. Then through this Trust, TheraCann was able to quickly secure financial loan facilities to commence project construction for this CPC location. Following this success, TheraCann is actively negotiating additional land for equity swaps in Q2 2024 for additional project sites, and to then seek additional traditional financing for project construction commencement.

#### **Direct Sale to Wholesale Market of Pure Produce:**

Starting in 2023 and expanding in 2024, TheraCann chose to market and directly sell its Pure produce, which consists of fruits and vegetables, to domestic grocery stores within 50 kilometers of its Centre of Excellence (COE) production and processing center in Panama Pacifico, Republic of Panama. This included sale of over 15 different crops consisting of fruit and vegetables and sold at a wholesale price to these customers. This produce was cultivated under license obtained from the Panama Department of Health (MINSA) in Q4 2023. Produce was produced within TheraCann's Centre of Excellence (COE) located in Panama Pacifico and produced within Sprout AI controlled environment habitats. Following the successful weekly delivery of small batch crops, TheraCann sought to obtain in Q1 2024 official vendor status from the main grocery store chains in the Republic of Panama. Having obtained vendor status, TheraCann was required in 2024 to increase its production volume in Panama from its current Sprout AI habitats to a full Commercial Production Centre (CPC) Facility. Consequently, TheraCann is in process of moving from its COE as of May 2024, and commencing constructing one to two CPC's in Panama in 2024/2025 to fulfill local market demand. This wholesale model will be repeated in a multitude of different global markets based on its low cost of marketing, distribution, and high success of larger volume product placement. The median average price for produce targeted to be placed within these facilities is a median average price of USD48 per kilogram (Kg). At full production a CPC will be expected to produce USD23.5M per year in revenue and generate returns on assets (ROA) of higher than 10%, and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of higher than 60%.

#### **Filing of Patents and Trademarks:**

Commencing in 2021 and continuing through 2023, TheraCann Companies and Sprout AI filed through Aalbun LLC a series of applications for trademarks and patents to protect our intellectual property (IP). These include, but are not limited to:

- GB2117915.5 10/12/2021 Patent Non-Provisional GB – United Kingdom GB2613633 Published method and system for automated indoor vertical cultivation of plants.
- PCT/IB2022/062076 12/12/2022 Patent Non-Provisional WO - World Intellectual Property Organization (WIPO) WO2023105502 Published method and system for automated indoor vertical cultivation of plants.
- B2308692.9 09/06/2023 Patent Non-Provisional GB - United Kingdom Pending method and system for automated indoor vertical cultivation of plants.
- GB2308694.5 09/06/2023 Patent Non-Provisional ZA - South Africa Pending method and system for automated indoor vertical cultivation of plants.
- SG10202113746Y 10/12/2021 Patent Non-Provisional SG – Singapore Pending method and system for automated indoor vertical cultivation of plants.

Our IP is registered through Panama which then offers additional IP under Penal Law.

In conclusion, TheraCann is navigating current challenges with strategic acumen and is laying a solid foundation for future growth. We are committed to leveraging our technological innovations and operational expansions to deliver sustainable value to our stakeholders and significantly enhance our market position

#### **TheraCann Beyond Farming / MBRIF:**

TheraCann Beyond Farming has been accepted into the Mohammed bin Rashid Innovation Fund (MBRIF) Acceleration Program in the UAE. This program began on May 22, 2024, supporting our rapid expansion within the UAE. This program is free of charge and offers multiple benefits including assistance with expansion within the UAE,

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assisting with access to financing, technology, marketing, banking, and intellectual property support.

In December 2023 the Company was invited by the Special University of LATAM (UDELAS) to participate in a blind test of over 100 consumers comparing the Company's strawberry's produced using Sprout AI's aeroponic, and fogponic technologies, against the leading domestic and imported strawberry's. The test was conducted on the UDELAS university campus whereby 4 strawberry's were presented to each consumer to quantitatively score and record their experience based on the color, shape, texture, taste and aroma of each berry. In this blind side by side test, both Sprout AI's strawberry's produced using aeroponic and fogponic technology were the preferred consumer choice, with consumer approval of over 75%. This independent consumer study was then used to enable the Company to gain entry into larger grocery store chains, for the purpose of obtaining vendor registration, and to negotiate long term purchase agreements of fruit, vegetables, and in future mushrooms, produced using Sprout AI technology.

On November 17, 2023, the Federal Ministry of Health, Republic of Panama (MINSA), issued licensed to the Company to produce, process, and distribute fruit and vegetables for sale into the domestic market of Panama.

On May 29, 2023 the Company signed an Definitive Agreement with TheraCann International Benchmark Corp. ("TheraCann") that defines the terms and conditions for the two entities to be combined via a Reverse Takeover of Sprout AI. A common share ratio split for the two entities has been agreed to at a value of 70:30 (TheraCann:Sprout).

On May 11, 2023 the Company announced the successful completion of its research project for the cultivation of the first potato seed from the "Karú" variety, produced in controlled environmental. This project was carried out under the agreement that the Company has with the Agriculture Innovation Institute of Panama (IDIAP), the leading agricultural research institute in the country. The seed were presented to IDIAP, the Agriculture Ministry, and farmer representatives during a ceremony held at the Companies COE. With this project, the Panamanian government seeks to replace the import of potato seeds for cultivation, currently coming from Germany, with a national production harvested in the Sprout AI system. The yield using fogponics in the Sprout AI habitats is promising, and the visit by IDIAP highlights the importance of technology in agriculture and its potential impact on food security in Panama. The Deputy Minister in Charge highlighted the importance of this initiative, which will benefit potato producers in the country, especially those in the Highlands, due to its impact on food security in Panama. She added that this project demonstrates that successful results can be achieved when the National Government and private companies work as allies. She also pointed out that innovation is being made in this area, thanks to the joint effort with private companies such as TIBC and its publicly traded subsidiary Sprout AI.

On May 3, 2023 TheraCann signed a three year agreement with the Special University of LATAM (UDELAS) for the purpose of initiating a practicum program for UDELAS students to utilize Sprout AI technology for the purpose of completing their university degree programs. Under this program, students would be provided access to TheraCann's COE in Panama Pacifico, then trained on the use of Sprout AI aeroponic and fogponic technology. Once trained, those students were then granted access to the Sprout AI technology for the purpose of furthering their studies and experiments in relation to bio-chemistry, and food science. Results of those studies and experiments would then be published in the following year.

On December 28, 2022, the Cease Trade Order was lifted on trading of the Common Shares on the Canadian Stock Exchange and the shares commenced trading.

In December 2022, the Company completed the construction for 75 Sprout AI habitat controllers to TheraCann for their client in Zimbabwe. Presently, TheraCann has suspended the commitment for additional units due to its Client's financial difficulties, and due to lack of adequate power to the facility as required by EU GMP compliance standards, health & safety, and security. Some components, but not all, were shipped to Zimbabwe by December 2022 for arrival in Q1 2023.

On August 29, 2022, the Company signed a Letter of Intent with Fontagro, Fontagro is a development agency financed by Latin and South America countries. They promote science, development and innovation in agriculture and food within Latin America and the Caribbean. Fontagro will assist the Company in securing matching R&D funding, as well as assist the Company to expand into some of the 33 countries in which it operates. In turn the Company will match Fontagro funding, and permit Fontagro to access Company facilities to conduct research and development of plants cultivated within urban indoor vertical cultivation environments.



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On August 8, 2022, the Company received a purchase order from its distributor TheraCann for 30 habitats, for an end Client located within the Metropolitan Vancouver Area of British Columbia, Canada. The facility was to be planned, designed and managed by TheraCann International as a Discovery Center measuring a total of 75,000 ft and capable of housing multiple crops totaling up to 60,000 plants. As noted in previous filings, this was a forward looking statement and noted that the success of this agreement was dependent directly on the success of funding received by the end Client paid to TheraCann International. As of the date of this filing, the Client has not received or otherwise provided funding for this project.

On June 27, 2022, the Company signed a 5 year agreement with Instituto de Innovación Agropecuaria de Panamá (IDIAP). Under the terms of this agreement the Company has provided IDIAP with access to its habitats at its manufacturing facility in Panama, to assist the Company with ongoing new crop development and confirmation of the Company's plant cycle time and yield data. The Company will provide IDIAP with access to the Company's habitats and database of information, and IDIAP will provide its scientists, and access to research funding.

On June 15, 2022 the Company signed a 3 year agreement with Centro Activo 20/30 Los Combras ("Centro"). Centro is a not-for-profit organization that provides charity programs to communities including their famed "rice and beans" program. Through its agreement with the Company, this program has been extended to include the Company's products cultivated within its Panama facility. Consequently, this program has been renamed "rice, beans and greens" to commemorate the Company's contribution of all "green's" to this country wide program. Under this agreement Centro will provide charitable donation receipts to parties that sponsor the Company's habitats for the purpose of cultivating the greens for this program. Each habitat that is sponsored receives placement of the sponsors logo for a period of one year, and the pricing per habitat varies depending on its position of each habitat within the Company's facility in Panama. Under the program, a total of 75 habitats will be available for sponsorship. However, upon a new Centrol President being elected in January 2023, this program has yet to be re-approved for commencement.

On April 5, 2022, the Canadian Stock Exchange issued a cease trading order on the shares of the Company.

On March 7, 2022, the Company entered into an unsecured commercial loan agreement with S. Halter for \$520,000. The loan has a three-year term. This loan was amended to change the commencement date for re-payment of the loan to August 2023.

***Financial statement readers should note that the above statements may contain forward looking information and/or assumptions and actual results may vary from the forward-looking information presented. In order to deliver on the contracts mentioned, the Company will face several risk factors such as obtaining supplies and financing to complete the order and standard manufacturing completion risks all of which may cause actual results to differ materially from the forward-looking information. This is also the case with any press releases issued by the Corporation on operations.***

## **FINANCIAL PERFORMANCE**

### **SELECTED FINANCIAL INFORMATION**

|  | <b>December 31, 2022</b> | December 31, 2021 |
|--|--------------------------|-------------------|
| Total Revenue                            | <b>2,067,723</b>         | 311,923           |
| Net income/(loss) for the period         | <b>(2,945,284)</b>       | (10,582,069)      |
| Net income/(loss) per share              | <b>(0.29)</b>            | (1.06)            |
| Capital expenditures net of dispositions | <b>(344,867)</b>         | (445,158)         |

|                           | <b>December 31, 2022</b> | December 31, 2021 |
|---------------------------|--------------------------|-------------------|
| Total assets              | <b>2,865,938</b>         | 4,845,635         |
| Total liabilities         | <b>15,361,883</b>        | 14,595,633        |
| Working capital (deficit) | <b>(14,549,056)</b>      | (12,299,243)      |

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**RESULTS OF OPERATIONS**

The following paragraphs provide information about the results of the Company's on-going operations for the year ended December 31, 2022.

**Revenue**

For the year ended December 31, 2022, the Company generated revenue of \$2,067,723 as compared to \$311,923 same period of 2021. This revenue was mainly for management and consulting services provided during the period.

Revenue is primarily generated from the sale of products in habitat manufacturing and management and consulting services from subsidiaries of the Parent Company.

**Net Loss for the period-end**

For the year ended December 31, 2022 the Group recorded a net loss of \$2,945,284 as compared to a loss of \$10,582,069 in the corresponding period of 2021.

The losses were primarily as a result of General and administrative expenses, and foreign exchange loss and interest on debentures.

**Depreciation expense**

Depreciation expense on capital assets for the year ended December 31, 2022 was \$623,346 compared to \$656,714 for the corresponding period of 2021. The increase is mainly due to the amortization of the new prototype Sprout V2.

The Group's depreciation relates to the equipment owned at the manufacturing facility in Panama as well as the depreciation of the Company's right of use assets.

**Capital expenditures**

The Company had no capital additions in the period ended December 31, 2022.

**SUMMARY OF RESULTS**

The following table summarizes the operation results for the past periods:

| Period Ended      | Total Assets | Working Capital | Shareholders' Equity (Deficiency) | Revenue   | Net (Loss) Income | Loss per Share |
|-------------------|--------------|-----------------|-----------------------------------|-----------|-------------------|----------------|
| December 31, 2022 | 2,865,938    | (14,549,056)    | (12,495,945)                      | 2,067,723 | (2,945,284)       | 0.29           |
| December 31, 2021 | 4,845,635    | (12,299,243)    | (9,749,998)                       | 311,923   | (10,579,237)      | 1.06           |

During the periods presented above the Parent company and Subsidiaries were building a manufacturing facilities, developing its technology and constructing habitats for its own use as floor models and for its initial contract in Zimbabwe. As a result, the Company had minimal revenue during these periods and losses created from the growth activities and listing expenses for the RTO and CSE listing during 2021.

**LIQUIDITY AND CAPITAL RESOURCES**

**Capital management**

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The Group considers its capital to be the main component of shareholders' equity. The Group's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. The Group will finance its future activities with debt, equity, hybrid securities and funds from operations.

Future financings are dependent on market conditions and there can be no assurance the Group will be able to raise funds in the future. There were no changes to the Group's approach to capital management during the period. The Group is not subject to externally imposed capital requirements.

**Cash and Working Capital**

The Company's working capital position as at the end of the period was as follows:

|                 | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|-----------------|------------------------------|------------------------------|
| Deficit         | (11,363,159)                 | (9,045,896)                  |
| Working capital | (14,549,056)                 | (12,299,243)                 |
| Cash            | 2,845                        | 739,851                      |

There can be no assurance that the group will be able to obtain adequate financing in the future or that the terms of such financing or deposits will be favorable. The group may seek additional financing through debt or equity offerings for the purposes of international expansion, but there can be no assurance that such financing will be available on terms acceptable to the group or at all. Any equity offering will result in dilution to the ownership interests of the group's shareholders and may result in dilution to the value of such interests.

**Operating Activities**

Net cash used in operating activities for the year ended on December 31, 2022, was \$679,777 compared to \$(274,750) in the same period of 2021. The group is focusing on ramping up operations during the period and incurred operating expenses as discussed above.

**Investing Activities**

Net cash used in investing activities for the year ended 31, 2022, was \$(283,615) as compared to \$(1,137,052) in the same period of last year used for investments in equipment and product development.

**Financing Activities**

Net cash from financing activities during the year ended December 31, 2022, was \$226,386, compared to \$(614,665) in the same period of last year, mostly amounts received from additional paid in capital.

**SHARE DATA**

As at December 31, 2022 the Company had 10,000,000 shares issued.

The following is a summary of the share:

|                                  | <b>Number of common shares</b> | <b>Share capital amounts</b> |
|----------------------------------|--------------------------------|------------------------------|
| Balance, at December 31, 2022    | 10,000,000                     | 10,000                       |
| Balance, at December 31, 2023    | 10,000,000                     | 10,000                       |
| <b>Balance at March 31, 2024</b> | <b>10,000,000</b>              | <b>10,000</b>                |

**RELATED PARTY TRANSACTIONS**

a) Transactions with key management personnel and shareholders

Transactions with key management personnel of the Group include certain members of the Group's Executive Management Team and the Board of Directors and Shareholders which have the responsibilities for strategic planning, oversight and control of the Group. During the period ended on December 31, 2023, the total compensation

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paid to the executive management team and Board of Directors and shareholders amounted to USD261,240(2022 USD:538,716).

b) Other related party balances:

| <b>Due from related parties</b> | <b>December 31, 2022</b> | <b>December 31, 2021</b> |
|---------------------------------|--------------------------|--------------------------|
| Christopher Bolton              | 41,299                   | 49,429                   |
| TheraCann USA Benchmark Corp.   | 178,369                  | 178,369                  |
| Flashpoing Components, S.A.     | 8,007                    | 41,988                   |
| Carlos Zapata                   | 2,000                    | 2,000                    |
| Kyle Horak                      | 0                        | 212                      |
|                                 | <b>229,675</b>           | <b>271,998</b>           |

| <b>Due to related parties</b> | <b>December 31, 2022</b> | <b>December 31, 2021</b> |
|-------------------------------|--------------------------|--------------------------|
| Christopher Bolton            | 139,624                  | 161,188                  |
| Colleen McKay                 | 2,602                    | 0                        |
|                               | <b>142,226</b>           | <b>161,188</b>           |

| <b>Loans to shareholders</b> | <b>December 31, 2022</b> | <b>December 31, 2021</b> |
|------------------------------|--------------------------|--------------------------|
| Julie Bolton                 | <b>6,863</b>             | <b>8,524</b>             |
| Robert Bolton                | <b>10,523</b>            | <b>15,775</b>            |
| Shawn Halter                 | <b>510,226</b>           | <b>11,021</b>            |
| Christopher Bolton           | <b>0</b>                 | <b>3,657</b>             |
|                              | <b>527,612</b>           | <b>38,977</b>            |

| <b>Accrued liabilities</b> | <b>December 31, 2022</b> | <b>December 31, 2021</b> |
|----------------------------|--------------------------|--------------------------|
| Christopher Bolton         | 94,156                   | 0                        |
| Albert Bangcaya            | 0                        | 86,616                   |

The amounts due from/to related parties are unsecured, non-interest bearing and due on demand.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Several amendments to existing accounting standards became effective December 31, 2022, and were first adopted by the Group during this period end.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances but are subject to judgments and uncertainties inherent in the financial reporting process. In preparing these MD&A,

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management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Group's financial instruments consist of cash, accounts receivable and other, due from related parties, accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to credit, liquidity or market risks arising from these financial instruments.

**Credit risk and economic dependence**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk on the accounts receivable from its customers and due from related parties. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and regular review of their credit limits.

As of December 31, 2022, the Group had \$44,927 (December 31, 2021 \$138,873) of financial assets carried at amortized cost which were subject to expected credit loss assessment in accordance with IFRS 9. The Group had determined \$Nil (December 31, 2021 \$Nil) for the allowance for expected credit loss as the full balance is due within 12 months. There is no history of default for those debtors.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group has historically relied upon equity financing to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Group will be able to obtain the required financing in the future on acceptable terms. The Group anticipates it will need additional capital in the future to finance ongoing operations, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financing. The Group has limited financial resources, had no source of operating income and has no assurance that additional funding will be available to fund its operations, although the Group has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Group. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents. No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.

**December 31, 2022**

|                                    | <b>Floating Rate Financial Instruments</b> | <b>Fixed Rate Financial Instruments</b> | <b>Non-interest bearing</b> | <b>Total</b>  |
|------------------------------------|--|---|-----------------------------|---------------|
| <b>Financial assets</b>            | 2,845                                      | 0                                       | 10,000                      | 12,845        |
|                                    | <b>2,845</b>                               | <b>0</b>                                | <b>10,000</b>               | <b>12,845</b> |
| <b>Financial liabilities</b>       |  |   |                             |               |
| <b>Other financial liabilities</b> | 0  | 12,791,642                              | 885,015                     | 13,676,657    |

**December 31, 2021**

|  | <b>Floating Rate Financial Instruments</b> | <b>Fixed Rate Financial Instruments</b> | <b>Non-interest bearing</b> | <b>Total</b> |
|--|--|---|-----------------------------|--------------|
|--|--|---|-----------------------------|--------------|

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|                                    |                |                   |                  |                   |
|------------------------------------|----------------|-------------------|------------------|-------------------|
| <b>Financial assets</b>            | 739,851        | 0                 | 10,000           | 849,851           |
|                                    | <b>739,851</b> | <b>0</b>          | <b>10,000</b>    | <b>849,851</b>    |
| <b>Financial liabilities</b>       |                |                   |                  |                   |
| <b>Other financial liabilities</b> | <b>0</b>       | <b>10,781,658</b> | <b>1,656,540</b> | <b>12,438,198</b> |

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk is the risk to the Group's earnings that arises from volatility in foreign exchange rates. The Group may have contracts with clients to receive fees in currencies other than its measurement currency. This may have an adverse effect on the value of future revenues and assets dominated in currencies other than the United States Dollars, absent any Group specific event.

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TIBC:

|                        |                   |
|------------------------|-------------------|
|                        | December 31, 2022 |
| Convertible debentures | (16,231,250)      |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for SAI:

|                 |                          |
|-----------------|--------------------------|
|                 | <b>December 31, 2022</b> |
| Cash            | (227)                    |
| Account payable | 613,632                  |
| Loans           | 627,394                  |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TCAN and TCI:

|                           |                   |
|---------------------------|-------------------|
|                           | December 31, 2022 |
| Cash                      | 178               |
| Account Payable and other | 60,232            |
| Customer advance          | 63,839            |
| Loans                     | 98,232            |

Included in the undernoted accounts are the following Australian Dollar (AUD) Balances for TAUS and SAA:

|      |                   |
|------|-------------------|
|      | December 31, 2022 |
| Cash | 1,547             |

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|                  |           |
|------------------|-----------|
| Account payable  | 53,208    |
| Customer deposit | 1,226,864 |

Included in the undernoted accounts are the following South African Rand (ZAR) Balances for TAFR:

|                 |                   |
|-----------------|-------------------|
|                 | December 31, 2022 |
| Account payable | 31,747            |

**Interest rate risk**

The Group has deposits in financial institutions. The Group is exposed to reductions in interest rates, which could impact expected current and future returns. As at December 31, 2022, the amount of USD2,845(2021: USD739,851) was held in deposits with financial institutions.

**December 31, 2022**

|                                    | Floating Rate Financial Instruments | Fixed Rate Financial Instruments | Non-interest bearing | Total             |
|------------------------------------|-------------------------------------|----------------------------------|----------------------|-------------------|
| <b>Financial assets</b>            | 2,845                               | 0                                | 10,000               | 12,845            |
|                                    | <b>2,845</b>                        | <b>0</b>                         | <b>10,000</b>        | <b>12,845</b>     |
| <b>Financial liabilities</b>       |                                     |                                  |                      |                   |
| <b>Other financial liabilities</b> | <b>0</b>                            | <b>12,791,642</b>                | <b>885,015</b>       | <b>13,676,657</b> |

**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest risk or currency risk. The Group is not exposed to any other price risk.

**Fair value measurements of financial assets and liabilities**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value and carrying value of financial assets and liabilities are as a follow:

|                         | December 31, 2022 |            | December 31, 2021 |            |
|-------------------------|-------------------|------------|-------------------|------------|
| <u>Financial assets</u> | Carrying value    | Fair value | Carrying value    | Fair value |
| Cash                    | 2,845             | 2,845      | 739,851           | 739,851    |

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|                          |                |                |                  |                  |
|--------------------------|----------------|----------------|------------------|------------------|
| Due from related parties | 229,675        | 229,675        | 271,998          | 271,998          |
|                          | <b>232,520</b> | <b>232,520</b> | <b>1,011,849</b> | <b>1,011,849</b> |

|  | <b>2022</b>           |                   | <b>2021</b>           |                   |
|--|-----------------------|-------------------|-----------------------|-------------------|
| <b><u>Financial liabilities</u></b>      | <b>Carrying value</b> | <b>Fair value</b> | <b>Carrying value</b> | <b>Fair value</b> |
| Accounts payable and accrued liabilities | <b>1,410,271</b>      | 1,410,271         | 1,658,374             | 1,658,374         |
| Accrued and payroll liabilities          | <b>132,728</b>        | 132,728           | 337,871               | 337,871           |
| Customer advances                        | <b>885,015</b>        | 885,015           | 1,656,541             | 1,656,541         |
| Due to related parties                   | <b>142,226</b>        | 142,226           | 161,188               | 161,188           |
| Loans                                    | <b>574,687</b>        | 574,687           | 102,079               | 102,079           |
| Lease liabilities                        | <b>285,297</b>        | 285,297           | 564,040               | 564,040           |
| Convertible debentures                   | <b>11,931,658</b>     | 10,395,678        | 10,115,539            | 10,107,911        |
|  | <b>15,361,882</b>     | <b>13,825,902</b> | <b>14,595,632</b>     | <b>14,588,004</b> |
| Capital stock reserve-broker warrants    | <b>25,351</b>         | <b>31,885</b>     | 25,351                | 32,332            |

**OFF-BALANCE SHEET ARRANGEMENTS**

The Group has no off-balance sheet arrangements.

**RISKS AND UNCERTAINTIES**

The following are certain factors relating to the Group's business which prospective investors should carefully consider before deciding whether to purchase common shares in the Group's authorized capital. These risks and uncertainties are not the only ones we are facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected.

***Risk Factors***

*We may need to raise further capital*

Our business strategy is based in part on the scalability of our operations. In order to expand our operations, we will need to raise additional funds in the future, and such funds may not be available on commercially reasonable terms, if at all. If we cannot raise enough funds on acceptable terms, we may not be able to fully implement our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. This could seriously harm our business, financial condition and results of operations.

***Key Personnel Risk***

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

**DISCLAIMER**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it



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in conjunction with all other disclosure documents. No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.

**TheraCann International Benchmark Corporation and Subsidiaries**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the year ended on December 31, 2023**

*(Expressed in United States Dollars)*

**TheraCann International Benchmark Corporation and Subsidiaries**  
**Management's Discussion and Analysis**  
**For the year ended December 31, 2023**  
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**INTRODUCTION**

This management's discussion and analysis ("MD&A") of the financial position and results of operations for TheraCann International Benchmark Corporation and Subsidiaries (the Group) is prepared by management as at July 28, 2024. The information herein should be read in conjunction with the interim condensed consolidated financial statements for the three months ended December 31, 2023, and the related notes contained therein, which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on July 28, 2024.

This management's discussion and analysis ("MD&A") of the financial position and results of operations for TheraCann International Benchmark Corporation and Subsidiaries (the Group) is prepared by management as at July 16, 2024. The information herein should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2024 and the related notes contained therein, which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue of the Company. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in United State dollars, the reporting currency of the Company, unless specifically noted.

**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include but are not limited to: volatility of stock price and market conditions, regulatory risks, difficulty in forecasting, key personnel, limited operating history, competition, investment capital and market share, market uncertainty, additional capital requirements, management of growth, pricing policies, litigation, no dividend history. The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in the MD&A include: (a) execution of the Company's existing plan to become a global leader and distributor of its products and related product lines. (b) ability to secure distribution partners (c) demand for the Company's products. Forward looking statements are based on a number of assumptions that may prove to be incorrect including but not limited to assumptions about: the impact of competition; the ability to obtain new financing on acceptable terms; the ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest. The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company. Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking statements will materialize. Unless required by applicable securities laws the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, see "Risk Factors".

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While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "Risk Factors".

**COMPANY BACKGROUND**

TheraCann International Benchmark Corporation ("The Parent Company", "TIBC") was incorporated under the laws of the Republic of Panama, through the Public Deed No. 7137 dated April 26, 2017, and commenced operations on the same date. The registered offices were located at Parque Internacional de Negocios, Edificio 3860 Unit 5B, Panama Pacifico, Veracruz Township, Arraiján District, Panama Province, Republic of Panama. The new facilities are located in Panama Viejo Business Center, office G7.

Its main activity is to provide complete turnkey infrastructure solutions with the best technology efficient, affordable, innovative, and adaptable vertical indoor farming to highly regulated markets in the pharmaceutical industry, food industry, and government entities, ensuring traceability and maximum product quality. TheraCann offers a complete supply chain solution. From the industry/project that starts with the legal regulatory framework to production, procedures, distribution, and integration of primary technologies.

The Companies included in the consolidated financial statements of TheraCann International Benchmark Corporation and its wholly owned subsidiaries are the following:

Sprout AI Inc. ("SAI". Formerly, 12682803 B.C. Ltd.), a subsidiary owned 53% by the "Parent Company" was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. On June 1, 2021, Sprout AI, Inc. changed its name from "12682803 B.C. Ltd." to Sprout AI Inc. On July 5, 2021, the shares of the Company began trading on the Canadian Securities Exchange ("CSE") under the symbol of SPRT and subsequently changed to BYFM on November 5, 2021. On January 14, 2022, the shares of the Company began trading on the United States OTC stock market under the symbol BYFMF. The Company's head office is located at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2. The Company is engaged in vertical farming technology and is in the business of planning, design, manufacturing and /or assembling sustainable and scalable AI-controlled vertical cultivation equipment (the "habitat") for indoor vertical farming.

Sprout AI S.A. ("SASA") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on November 19, 2018, in the Republic of Panama through Public Deed No. 30280. The registered office of Sprout is located at The International Business Park Unit 5B, Building 3860, Panama Pacifico, Republic of Panama. SASA was registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 on October 7, 2019.

Sprout AI Australia PTY LTD. ("SAPTY") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on September 6, 2021, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia.

TheraCann Canada Benchmark Corp. ("TCAN") a subsidiary owned 100% by the "Parent Company", was incorporated on January 12, 2016, under the business Act of the Government of Alberta. On January 2, 2019, TCAN and "The Parent Company" entered into a Master Inter-Company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCAN's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

TheraCann Australia Benchmark Pty Ltd. ("TAUS") a subsidiary owned 100% by the "Parent Company" was incorporated on July 17, 2017, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia. On June 1, 2019, TAUS and "The Parent Company" entered into a service agreement in which the "Parent Company" provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAUS's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology.

## **TheraCann International Benchmark Corporation and Subsidiaries**

### **Management's Discussion and Analysis**

**For the year ended December 31, 2023**

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One System One Solution, S.A., ("OS2") a subsidiary owned 100% by the "Parent Company" was incorporated as a corporation through Public Deed No. 3,336 on February 6, 2018, and registered in the Public Registry of Panama on March 5, 2018. Its main activity is the development of applications for enterprise resource management and compliance. These applications encompass systems that oversee all daily operations, as well as the monitoring and control processes in vertical farming systems using the Sprout technology.

TheraCann Canada Inc. ("TCI") a subsidiary owned 100% by the "Parent Company", was incorporated on April 01, 2019, under the business Act of the Government of Alberta. On July 1, 2019, TCI and "The Parent Company" entered into a Master Inter-company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCI's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

ETCH Biotrace, S.A. ("ETCH") a subsidiary owned 100% by the "Parent Company", was incorporated on February 1, 2019, as a private limited company under the laws of the Republic of Panama. ETCH primary activity is to provide plant with irremovable taggant tracking system that can be used to confirm authenticity of crop source.

TheraCann Africa Benchmark ("TAFR") a subsidiary owned 100% by the "Parent Company" was incorporated on June 20, 2022, under the terms of the Minister of Trade and Industry section 223 of the Companies Act 2008 (Act No. 71 of 2008). On June 1, 2022 TAFR and "The Parent Company" entered into a service agreement in which the "Parent Company" provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAFR's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology

### **COMPANY'S OPERATIONS AND OUTLOOK**

The ability of the Group to be successful in obtaining additional future financing cannot be predicted at this present time and as such there is a material uncertainty that may cast significant doubt on the ability to continue as a going concern. The continuation of the Group as a going concern is dependent on the ability of the Group to achieve positive cash flow from operations and/or obtain necessary equity or other financing to meet its current obligations and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

As we reflect on our journey and look forward to the future, TheraCann International Benchmark Corporation is poised for transformative growth and innovation. Here are the forward-looking statements based on our current initiatives and strategic planning represented by the management:

#### **Financial Strengthening, Capital Raise, and Financial Outlook:**

In Q2 2023, TheraCann initiated a non-brokered private placement round to raise USD1M, selling shares within TheraCann at USD3.50 per Common "A" Voting Share. As of Q3 2023, TheraCann had closed the oversubscribed round at USD1.32M. In Q1 2024 TheraCann initiated a second non-brokered private placement round to raise USD2.5 million for operational and capital expenses at USUSD3.50 per Common "A" Voting Share. As of April 30, 2024 TheraCann was oversubscribed at USD3.85M. Included in this round was a share swap of TheraCann shares valued at USD3.5 per share in exchange for ownership of land in Panama suitable for construction of TheraCann's CPC sized facility. The land was appraised by Colliers valued at USD3,030,000, and is strategically located near one central food production, and packaging center of one of TheraCann's largest grocery store clients. In Q1 2024 TheraCann also secured short term loans totaling USUSD370K, payable at 8% interest per month. In Q2 2024 TheraCann is in process of securing additional lines of credit, and / or mortgages, on the above land totaling up to 80% of the land value to ensure prompt project commencement. In addition to the above TheraCann has also secured memorandum of understanding (MOU), and Term Sheets to access capital post amalgamation between TheraCann and Sprout AI, totaling over USD250M for purposes of financing its 5 years business plan. In so doing, TheraCann has secured sufficient additional capital for sustainable growth and profitability.

**Expansion of Physical Infrastructure:** TheraCann has prepared a 5-year business plan ending December 2029 that includes a planned roll-out of up to 27 separate locations, in up to 7 different countries, that will include a mixture of Discovery Centre (DC), Centre of Excellence (COE), and Commercial Production Centre (CPC) sized facilities. The purpose of these strategic urban farms will be to bring our products closer to consumers, reducing logistics costs and

## **TheraCann International Benchmark Corporation and Subsidiaries**

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enhancing market responsiveness. By strategically positioning these facilities globally, we will have significantly managed global risks including country, political, economic, project, and technology risks. This expansion aims to cater to grocery store chains and restaurants that heavily rely on imports to service their domestic markets. When fully operational, a DC facility is projected to generate USD3.0 million in revenue with expenses of USD1.6 million, resulting in an EBITDA of USD2.3M, based on a sales price of USD48 per Kg. TheraCann's larger COE facility is expected to achieve revenues of USD7 million with expenses of USD2.6 million, yielding an EBITDA of USD4.7 million based on USD48 per Kg. Finally, the CPC facility, designed to meet high-demand commercial needs, anticipates generating revenues of USD24.7 million with expenses of USD2.3 million, resulting in an EBITDA of USD17 million based on USD48 per Kg. In preparation for this expansion plan, the company aims to establish up to 2-4 new FaaS facilities commencing in 2024, consisting of 1-2 DC facilities, and 1-2 CPC facilities.

With an estimated CAPEX cost of USD72 million, these facilities are projected to generate an annual EBITDA of USD38.6 million at full capacity based on USD48 a Kg. The remaining 23 facilities are then designed through 2025 through 2028 in a ramping up schedule of 5-6 facilities per year. At peak production gross revenues of USD140M per year are projected.

#### **Global Expansion through Local Integration:**

The establishment of partnerships with local universities enables TheraCann to provide practicum and internship programs within each new city farm facility placement. TheraCann currently has proven this model to be very effective in relation to this partnership with UDELAS University of Panama, University of Honduras, and as February 2024 has entered into a three-year agreement with Manipal Dubai University of Dubai, 2024-2027. Each agreement further enhances TheraCann's ability to conduct ongoing research as well as our integration of our operations into local communities and markets. Coupled with these agreements is TheraCann's focus on providing ongoing support to Federal Government Department's of Agriculture. This includes Sprout AI's agreement with the Republic of Panama, Department of Agriculture, Department of Innovation's (IDIAP) two-year agreement to further evaluate the efficacy of Sprout AI's aeroponic and fogponic systems in relation to cultivation of strawberry and potato, in direct comparison to cultivation using hydroponic and traditional field production. IDAP's multi-year evaluation of the Sprout AI system, including analysis of cost of production versus traditional farming is designed to provide impartial analysis of the efficacy of our Farm as a Solution facility and technologies.

#### **Innovation in Agricultural Technology:**

The introduction in 2022 of our groundbreaking fogponics cultivation hardware system marks a significant technological advancement over the Sprout AI's previous aeroponic hardware system. This hardware innovation not only substantially reduced the risk of cultivation failure, but also expanded the range of possible fruit and vegetable crops that can be produced indoors, including root-based crops such as carrot, beat, and potato. To further advance this hardware innovation in 2023, TheraCann's One System One Solution (OS2) was advanced to version 7.0, together with an advanced artificial intelligence (AI) module that collections, manages, and reports on the optimal operation of each habitat parameter. To further advance this cultivation and hardware system, in 2024 TheraCann's ETCH Biotrace has begun benchscale testing of a new means of adding an irremovable taggant to plants, that does not require use of DNA, that enables the traceability of each batch of crops. This level of traceability not only ensures the full transparency and traceability of each batch of corps from point of cultivation through to final consumption, destruction, or recall, but ensures the substantial reduction of counterfeit produce, and / or grey market produce entering the marketplace. In so doing, Sprout AI's indoor vertical cultivation system has gone well beyond that of any nearest indoor vertical farm competitor, by providing great range of crops, higher yields, and operations that are shown to be more sustainable in terms of power use, water use, and labour. In 2024 we have begun the process of expanding the list of crops to include the cultivation of mushrooms as well. In so doing, TheraCann will have provided the first turn-key indoor Farm as a Solution (FaaS) Facility that includes a wide range of fruit, vegetables, and mushrooms utilizing the same technology, and that is without risk of contamination from biological or chemical sources (is Pure).

#### **Transition to a Hybrid Operational Model:**

Learning from the challenges faced in client-based "You Own" projects in 2021, and 2021, TheraCann chose to enhance our business model in 2023 by implementing a "We Own" FaaS Facility model. This shift has enabled TheraCann to control the location, timing, and cost of its future projects, as well as to control more aspects of production.

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Having relied solely on a "You Own" model resulted in all previous projects starting behind schedule, largely due to client internal managerial issues, including the timely financing of the project. Having adopted a hybrid model, we are now have the option to work with a Client under a "You Own" model, or it financing is directly available to TheraCann, immediately commence a "We Own" model project. As of Q2 2024 TheraCann has commenced a "We Own" project in the Republic of Panama that will be a Commercial Production Centre (CPC) sized facility. Land for this project was procured through a land for TheraCann common "A" voting share swap. Land was subsequently put into Trust, and through that trust title to the land was transferred to TheraCann, and shares transferred to the previous owner of the land. Then through this Trust, TheraCann was able to quickly secure financial loan facilities to commence project construction for this CPC location. Following this success, TheraCann is actively negotiating additional land for equity swaps in Q2 2024 for additional project sites, and to then seek additional traditional financing for project construction commencement.

**Direct Sale to Wholesale Market of Pure Produce:**

Starting in 2023 and expanding in 2024, TheraCann chose to market and directly sell its Pure produce, which consists of fruits and vegetables, to domestic grocery stores within 50 kilometers of its Centre of Excellence (COE) production and processing center in Panama Pacifico, Republic of Panama. This included sale of over 15 different crops consisting of fruit and vegetables and sold at a wholesale price to these customers. This produce was cultivated under license obtained from the Panama Department of Health (Minsa) in Q4 2023. Produce was produced within TheraCann's Centre of Excellence (COE) located in Panama Pacifico and produced within Sprout AI controlled environment habitats. Following the successful weekly delivery of small batch crops, TheraCann sought to obtain in Q1 2024 official vendor status from the main grocery store chains in the Republic of Panama. Having obtained vendor status, TheraCann was required in 2024 to increase its production volume in Panama from its current Sprout AI habitats to a full Commercial Production Centre (CPC) Facility. Consequently, TheraCann is in process of moving from its COE as of May 2024, and commencing constructing one to two CPC's in Panama in 2024/2025 to fulfill local market demand. This wholesale model will be repeated in a multitude of different global markets based on its low cost of marketing, distribution, and high success of larger volume product placement. The median average price for produce targeted to be placed within these facilities is a median average price of USD48 per kilogram (Kg). At full production a CPC will be expected to produce USD23.5M per year in revenue and generate returns on assets (ROA) of higher than 10%, and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of higher than 60%.

**Filing of Patents and Trademarks:**

Commencing in 2021 and continuing through 2023, TheraCann Companies and Sprout AI filed through Aalbin LLC a series of applications for trademarks and patents to protect our intellectual property (IP). These include, but are not limited to:

- GB2117915.5 10/12/2021 Patent Non-Provisional GB – United Kingdom GB2613633 Published method and system for automated indoor vertical cultivation of plants.
- PCT/IB2022/062076 12/12/2022 Patent Non-Provisional WO - World Intellectual Property Organization (WIPO) WO2023105502 Published method and system for automated indoor vertical cultivation of plants.
- B2308692.9 09/06/2023 Patent Non-Provisional GB - United Kingdom Pending method and system for automated indoor vertical cultivation of plants.
- GB2308694.5 09/06/2023 Patent Non-Provisional ZA - South Africa Pending method and system for automated indoor vertical cultivation of plants.
- SG10202113746Y 10/12/2021 Patent Non-Provisional SG – Singapore Pending method and system for automated indoor vertical cultivation of plants.

Our IP is registered through Panama which then offers additional IP under Penal Law.

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In conclusion, TheraCann is navigating current challenges with strategic acumen and is laying a solid foundation for future growth. We are committed to leveraging our technological innovations and operational expansions to deliver sustainable value to our stakeholders and significantly enhance our market position.

**TheraCann Beyond Farming / LetStartup by Deloitte:**

In May 2024 Sprout AI Inc. was accepted as a finalist in the LetStartup by Deloitte Powered by Endeavor Program in Latin America (LATAM). This program is free of charge and offers multiple benefits including assistance with expansion within LATAM, making Sprout AI more visible to top clients in Latin America, and direct access to the innovation ecosystem of Deloitte Spanish Latin America divisions.

**TheraCann Beyond Farming / MBRIF:**

TheraCann Beyond Farming has been accepted into the Mohammed bin Rashid Innovation Fund (MBRIF) Acceleration Program in the UAE. This program began on May 22, 2024, supporting our rapid expansion within the UAE. This program is free of charge and offers multiple benefits including assistance with expansion within the UAE, assisting with access to financing, technology, marketing, banking, and intellectual property support.

**TheraCann / Sprout AI Open House:**

On May 1, 2024, we moved to a new facility in downtown Panama City. On May 20th, we hosted an Open House for Panama Banks, Grocery Store Clients, and Investors, showcasing our rapid deployment capabilities and new crops provided by the Republic of Panama's Department of Agriculture.

**Additional Recognition:**

In April 2024, our strawberries, produced in our Sprout AI hermetic habitats have been shown to be free of contaminants, have demonstrated superior shelf life, lasting up to 28 days. This long shelf life is a significant selling point for grocery stores. Consequently, TheraCann / Sprout AI have secured authorized dealer status from a number of grocery store chains within the Republic of Panama, who will then be the focus of delivery from the proposed CPC facility in Capira, Panama.

In December 2023 the Company was invited by the Special University of LATAM (UDELAS) to participate in a blind test of over 100 consumers comparing the Company's strawberry's produced using Sprout AI's aeroponic, and fogponic technologies, against the leading domestic and imported strawberry's. The test was conducted on the UDELAS university campus whereby 4 strawberry's were presented to each consumer to quantitatively score and record their experience based on the color, shape, texture, taste and aroma of each berry. In this blind side by side test, both Sprout AI's strawberry's produced using aeroponic and fogponic technology were the preferred consumer choice, with consumer approval of over 75%. This independent consumer study was then used to enable the Company to gain entry into larger grocery store chains, for the purpose of obtaining vendor registration, and to negotiate long term purchase agreements of fruit, vegetables, and in future mushrooms, produced using Sprout AI technology.

On November 17, 2023, the Federal Ministry of Health, Republic of Panama (MINSA), issued licensed to the Company to produce, process, and distribute fruit and vegetables for sale into the domestic market of Panama.

On May 29, 2023 the Company signed an Definitive Agreement with TheraCann International Benchmark Corp. ("TheraCann") that defines the terms and conditions for the two entities to be combined via a Reverse Takeover of Sprout AI. A common share ratio split for the two entities has been agreed to at a value of 70:30 (TheraCann:Sprout).



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On May 11, 2023 the Company announced the successful completion of its research project for the cultivation of the first potato seed from the "Karú" variety, produced in controlled environmental. This project was carried out under the agreement that the Company has with the Agriculture Innovation Institute of Panama (IDIAP), the leading agricultural research institute in the country. The seed were presented to IDIAP, the Agriculture Ministry, and farmer representatives during a ceremony held at the Companies COE. With this project, the Panamanian government seeks to replace the import of potato seeds for cultivation, currently coming from Germany, with a national production harvested in the Sprout AI system. The yield using fogponics in the Sprout AI habitats is promising, and the visit by IDIAP highlights the importance of technology in agriculture and its potential impact on food security in Panama. The Deputy Minister in Charge highlighted the importance of this initiative, which will benefit potato producers in the country, especially those in the Highlands, due to its impact on food security in Panama. She added that this project demonstrates that successful results can be achieved when the National Government and private companies work as allies. She also pointed out that innovation is being made in this area, thanks to the joint effort with private companies such as TIBC and its publicly traded subsidiary Sprout AI.

On May 3, 2023 TheraCann signed a three year agreement with the Special University of LATAM (UDELAS) for the purpose of initiating a practicum program for UDELAS students to utilize Sprout AI technology for the purpose of completing their university degree programs. Under this program, students would be provided access to TheraCann's COE in Panama Pacifico, then trained on the use of Sprout AI aeroponic and fogponic technology. Once trained, those students were then granted access to the Sprout AI technology for the purpose of furthering their studies and experiments in relation to bio-chemistry, and food science. Results of those studies and experiments would then be published in the following year.

On December 28, 2022, the Cease Trade Order was lifted on trading of the Common Shares on the Canadian Stock Exchange and the shares commenced trading.

In December 2022, the Company completed the construction for 75 Sprout AI habitat controllers to TheraCann for their client in Zimbabwe. Presently, TheraCann has suspended the commitment for additional units due to its Client's financial difficulties, and due to lack of adequate power to the facility as required by EU GMP compliance standards, health & safety, and security. Some components, but not all, were shipped to Zimbabwe by December 2022 for arrival in Q1 2023.

On August 29, 2022, the Company signed a Letter of Intent with Fontagro, Fontagro is a development agency financed by Latin and South America countries. They promote science, development and innovation in agriculture and food within Latin America and the Caribbean. Fontagro will assist the Company in securing matching R&D funding, as well as assist the Company to expand into some of the 33 countries in which it operates. In turn the Company will match Fontagro funding, and permit Fontagro to access Company facilities to conduct research and development of plants cultivated within urban indoor vertical cultivation environments.

On August 8, 2022, the Company received a purchase order from its distributor TheraCann for 30 habitats, for an end Client located within the Metropolitan Vancouver Area of British Columbia, Canada. The facility was to be planned, designed and managed by TheraCann International as a Discovery Center measuring a total of 75,000 ft and capable of housing multiple crops totaling up to 60,000 plants. As noted in previous filings, this was a forward looking statement and noted that the success of this agreement was dependent directly on the success of funding received by the end Client paid to TheraCann International. As of the date of this filing, the Client has not received or otherwise provided funding for this project.

On June 27, 2022, the Company signed a 5 year agreement with Instituto de Innovación Agropecuaria de Panamá (IDIAP). Under the terms of this agreement the Company has provided IDIAP with access to its habitats at its manufacturing facility in Panama, to assist the Company with ongoing new crop development and confirmation of the Company's plant cycle time and yield data. The Company will provide IDIAP with access to the Company's habitats and database of information, and IDIAP will provide its scientists, and access to research funding.

On June 15, 2022 the Company signed a 3 year agreement with Centro Activo 20/30 Los Combras ("Centro"). Centro is a not-for-profit organization that provides charity programs to communities including their famed "rice and beans" program. Through its agreement with the Company, this program has been extended to include the Company's products cultivated within its Panama facility. Consequently, this program has been renamed "rice, beans and greens" to commemorate the Company's contribution of all "green's" to this country wide program. Under this agreement Centro will provide charitable donation receipts to parties that sponsor the Company's habitats for the purpose of cultivating the greens for this program. Each habitat that is sponsored receives placement of the

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sponsors logo for a period of one year, and the pricing per habitat varies depending on its position of each habitat within the Company's facility in Panama. Under the program, a total of 75 habitats will be available for sponsorship. However, upon a new Central President being elected in January 2023, this program has yet to be re-approved for commencement.

On April 5, 2022, the Canadian Stock Exchange issued a cease trading order on the shares of the Company.

On March 7, 2022, the Company entered into an unsecured commercial loan agreement with S. Halter for \$520,000. The loan has a three-year term. This loan was amended to change the commencement date for re-payment of the loan to August 2023.

***Financial statement readers should note that the above statements may contain forward looking information and/or assumptions and actual results may vary from the forward-looking information presented. In order to deliver on the contracts mentioned, the Company will face several risk factors such as obtaining supplies and financing to complete the order and standard manufacturing completion risks all of which may cause actual results to differ materially from the forward-looking information. This is also the case with any press releases issued by the Corporation on operations.***

## **FINANCIAL PERFORMANCE**

### **SELECTED FINANCIAL INFORMATION**

|  | <b>December 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|--|------------------------------|------------------------------|
| Total Revenue                            | <b>162,426</b>               | 2,067,723                    |
| Net income (loss) for the period         | <b>(3,097,516)</b>           | (2,945,284)                  |
| Net loss per share-basic                 | <b>(0.31)</b>                | (0.29)                       |
| Capital expenditures net of dispositions | <b>(184,995)</b>             | (344,867)                    |

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|                   | <b>December 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|-------------------|------------------------------|------------------------------|
| Total assets      | <b>2,344,183</b>             | 2,865,938                    |
| Total liabilities | <b>16,164,948</b>            | 15,361,883                   |
| Working capital   | <b>(15,267,014)</b>          | (14,549,056)                 |

### **RESULTS OF OPERATIONS**

The following paragraphs provide information about the results of the Company's on-going operations for the year ended December 31, 2023.

#### **Revenue**

For the year ended December 31, 2023, the Company generated revenue of \$162,426 as compared to \$2,067,723 same period of 2022. This revenue was mainly for management and consulting services provided during the period.

Revenue is primarily generated from the sale of products in habitat manufacturing and management and consulting services from subsidiaries of the Parent Company.

#### **Net Loss for the period-end**

For the year ended December 31, 2023 the Group recorded a net loss of \$3,097,516 as compared to a loss of \$2,945,284 in the corresponding period of 2022.

The losses were primarily as a result of General and administrative expenses, and foreign exchange loss and interest on debentures.

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***Depreciation expense***

Depreciation expense on capital assets for the year ended December 31, 2023 was \$663,313 compared to \$623,346 for the corresponding period of 2022. The increase is mainly due to the amortization of the new prototype Sprout V2.

The Group's depreciation relates to the equipment owned at the manufacturing facility in Panama as well as the depreciation of the Company's right of use assets.

***Capital expenditures***

The Company had no capital additions in the period ended December 31, 2023.

**SUMMARY OF RESULTS**

The following table summarizes the operation results for the past periods:

| <b>Period Ended</b> | <b>Total Assets</b> | <b>Working Capital</b> | <b>Shareholders' Equity (Deficiency)</b> | <b>Revenue</b> | <b>Net (Loss) Income</b> | <b>Loss per Share</b> |
|---------------------|---------------------|------------------------|--|----------------|--------------------------|-----------------------|
| December 31, 2023   | 2,344,183           | (15,267,015)           | (13,820,765)                             | 162,426        | (3,097,516)              | 0.31                  |
| December 31, 2022   | 2,865,938           | (14,549,056)           | (12,495,945)                             | 2,067,723      | (2,945,284)              | 0.29                  |
| December 31, 2021   | 4,845,635           | (12,299,243)           | (9,749,998)                              | 311,923        | (10,579,237)             | 1.06                  |

During the periods presented above the Parent company and Subsidiaries were building a manufacturing facilities, developing its technology and constructing habitats for its own use as floor models and for its initial contract in Zimbabwe. As a result, the Company had minimal revenue during these periods and losses created from the growth activities and listing expenses for the RTO and CSE listing during 2021.

**LIQUIDITY AND CAPITAL RESOURCES**

**Capital management**

The Group considers its capital to be the main component of shareholders' equity. The Group's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. The Group will finance its future activities with debt, equity, hybrid securities and funds from operations.

Future financings are dependent on market conditions and there can be no assurance the Group will be able to raise funds in the future. There were no changes to the Group's approach to capital management during the period. The Group is not subject to externally imposed capital requirements.

**Cash and Working Capital**

The Company's working capital position as at the end of the period was as follows:

|                 | <b>December 31, 2023</b> | <b>December 31, 2022</b> |
|-----------------|--------------------------|--------------------------|
| Deficit         | <b>(13,900,155)</b>      | (11,363,159)             |
| Working capital | <b>(15,267,014)</b>      | (14,549,056)             |
| Cash            | <b>34,244</b>            | 2,845                    |

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There can be no assurance that the group will be able to obtain adequate financing in the future or that the terms of such financing or deposits will be favorable. The group may seek additional financing through debt or equity offerings for the purposes of international expansion, but there can be no assurance that such financing will be available on terms acceptable to the group or at all. Any equity offering will result in dilution to the ownership interests of the group's shareholders and may result in dilution to the value of such interests.

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**Operating Activities**

Net cash used in operating activities for the year ended on December 31, 2023, was \$1,288,514 compared to \$(679,777) in the same period of 2022. The group is focusing on ramping up operations during the period and incurred operating expenses as discussed above.

**Investing Activities**

Net cash used in investing activities for the year ended 31, 2023, was \$(129,170) as compared to \$(283,615) in the same period of last year used for investments in equipment and product development.

**Financing Activities**

Net cash from financing activities during the year ended December 31, 2023, was \$1,449,083, compared to \$226,386 in the same period of last year, mostly amounts received from additional paid in capital.

**SHARE DATA**

As at December 31, 2023 the Company had 10,000,000 shares issued.

The following is a summary of the share:

|                                  | <b>Number of common shares</b> | <b>Share capital amounts</b> |
|----------------------------------|--------------------------------|------------------------------|
| Balance, at December 31, 2022    | 10,000,000                     | 10,000                       |
| Balance, at December 31, 2023    | 10,000,000                     | 10,000                       |
| <b>Balance at March 31, 2024</b> | <b>10,000,000</b>              | <b>10,000</b>                |

**RELATED PARTY TRANSACTIONS**

a) Transactions with key management personnel and shareholders

Transactions with key management personnel of the Group include certain members of the Group's Executive Management Team and the Board of Directors and Shareholders which have the responsibilities for strategic planning, oversight and control of the Group. During the period ended on December 31, 2023, the total compensation paid to the executive management team and Board of Directors and shareholders amounted to USD261,240(2022 USD:538,716).

b) Other related party balances:

|                                 | <b>December 31,<br/>20243</b> | <b>December 31,<br/>2022</b> |
|---------------------------------|-------------------------------|------------------------------|
| <b>Due from related parties</b> |                               |                              |
| Christopher Bolton              | 42,440                        | 41,299                       |
| TheraCann USA Benchmark Corp.   | 0                             | 178,369                      |
| Flashpoing Components, S.A.     | 0                             | 8,007                        |
| Carlos Zapata                   | 0                             | 2,000                        |
|                                 | <b>41,426</b>                 | 229,675                      |
| <b>Due to related parties</b>   |                               |                              |
| Christopher Bolton              | 106,149                       | 139,624                      |
| Colleen McKay                   | 25,363                        | 2,602                        |
| Dean Callaway                   | 16,738                        | 0                            |
|                                 | <b>148,250</b>                | 142,226                      |

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| <b>Loans to shareholders</b> | <b>December 31,<br/>2023</b> | <b>December<br/>31, 2022</b> |
|------------------------------|------------------------------|------------------------------|
| Julie Bolton                 | 8,116                        | 6,863                        |
| Robert Bolton                | 15,022                       | 10,523                       |
| Shawn Halter                 | 538,498                      | 510,226                      |
|                              | <b>561,636</b>               | 527,612                      |

| <b>Accrued liabilities</b> | <b>December 31,<br/>2023</b> | <b>December<br/>31, 2022</b> |
|----------------------------|------------------------------|------------------------------|
| Christopher Bolton         | 94,156                       | 94,156                       |

The amounts due from/to related parties are unsecured, non-interest bearing and due on demand.

#### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Several amendments to existing accounting standards became effective December 31, 2023, and were first adopted by the Group during this period end.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances but are subject to judgments and uncertainties inherent in the financial reporting process. In preparing these MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Group's financial instruments consist of cash, accounts receivable and other, due from related parties, accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to credit, liquidity or market risks arising from these financial instruments.

##### **Credit risk and economic dependence**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk on the accounts receivable from its customers and due from related parties. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and regular review of their credit limits.

As of December 31, 2023, the Group had \$42,440 (December 31, 2023 \$44,927) of financial assets carried at amortized cost which were subject to expected credit loss assessment in accordance with IFRS 9. The Group had determined \$Nil (December 31, 2022 \$Nil) for the allowance for expected credit loss as the full balance is due within 12 months. There is no history of default for those debtors.

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**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group has historically relied upon equity financing to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Group will be able to obtain the required financing in the future on acceptable terms. The Group anticipates it will need additional capital in the future to finance ongoing operations, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financing. The Group has limited financial resources, had no source of operating income and has no assurance that additional funding will be available to fund its operations, although the Group has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Group. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents. No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.

**December 31, 2023**

|                                    | <b>Floating Rate Financial Instruments</b> | <b>Fixed Rate Financial Instruments</b> | <b>Non-interest bearing</b> | <b>Total</b>      |
|------------------------------------|--|---|-----------------------------|-------------------|
| Financial assets at FVTPL          | 34,244                                     | 0                                       | 0                           | 0                 |
| Financial assets at amortized cost | 0  | 0                                       | 10,000                      | 10,000            |
|                                    | <b>34,244</b>                              | <b>0</b>                                | <b>10,000</b>               | <b>44,244</b>     |
| <b>Financial liabilities</b>       |  |   |                             |                   |
| <b>Other financial liabilities</b> | <b>0</b>                                   | <b>13,655,999</b>                       | <b>772,315</b>              | <b>14,428,314</b> |

**December 31, 2022**

|                                    | <b>Floating Rate Financial Instruments</b> | <b>Fixed Rate Financial Instruments</b> | <b>Non-interest bearing</b> | <b>Total</b>      |
|------------------------------------|--|---|-----------------------------|-------------------|
| <b>Financial assets</b>            | 2,845                                      | 0                                       | 10,000                      | 12,845            |
|                                    | <b>2,845</b>                               | <b>0</b>                                | <b>10,000</b>               | <b>12,845</b>     |
| <b>Financial liabilities</b>       |  |   |                             |                   |
| <b>Other financial liabilities</b> | <b>0</b>                                   | <b>12,791,642</b>                       | <b>885,015</b>              | <b>13,676,657</b> |

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk is the risk to the Group's earnings that arises from volatility in foreign exchange rates. The Group may have contracts with clients to receive fees in currencies other than its measurement currency. This may have an adverse effect on the value of future revenues and assets dominated in currencies other than the United States Dollars, absent any Group specific event.

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Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TIBC:

|                        | December 31, 2023 | December 31, 2022 |
|------------------------|-------------------|-------------------|
| Convertible debentures | (15,197,791)      | (16,231,250)      |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for SAI:

|                 | December 31, 2023 | December 31, 2022 |
|-----------------|-------------------|-------------------|
| Cash            | 2,929             | (227)             |
| Account payable | 486,669           | 613,632           |
| Loans           | 665,825           | 627,394           |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TCAN and TCI:

|                           | December 31, 2023 | December 31, 2022 |
|---------------------------|-------------------|-------------------|
| Cash                      | 183               | 178               |
| Account Payable and other | 56,472            | 60,232            |
| Customer advance          | 63,839            | 63,839            |
| Loans                     | 124,084           | 98,232            |

Included in the undernoted accounts are the following Australian Dollar (AUD) Balances for TAUS and SAA:

|                  | December 31, 2023 | December 31, 2022 |
|------------------|-------------------|-------------------|
| Cash             | 8,746             | 1,547             |
| Account payable  | 142,4933          | 53,208            |
| Customer deposit | 1,066,707         | 1,226,864         |

Included in the undernoted accounts are the following South African Rand (ZAR) Balances for TAFR:

|                 | December 31, 2023 | December 31, 2022 |
|-----------------|-------------------|-------------------|
| Account payable | 44,941            | 31,747            |

**Interest rate risk**

The Group has deposits in financial institutions. The Group is exposed to reductions in interest rates, which could impact expected current and future returns. As at December 31, 2023, the amount of USD34,244(2023: USD2,845) was held in deposits with financial institutions.



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**December 31, 2023**

|                                    | <b>Floating Rate<br/>Financial<br/>Instruments</b> | <b>Fixed Rate<br/>Financial<br/>Instruments</b> | <b>Non-interest<br/>bearing</b> | <b>Total</b>      |
|------------------------------------|--|---|---------------------------------|-------------------|
| Financial assets at FVTPL          | 34,244   | 0   | 0                               | 34,244            |
| Financial assets at amortized cost | 0  | 0   | 10,000                          | 10,000            |
|                                    | <b>34,244</b>                                      | <b>0</b>  | <b>10,000</b>                   | <b>44,244</b>     |
| <b>Financial liabilities</b>       |  |   |                                 |                   |
| <b>Other financial liabilities</b> | <b>0</b>   | <b>13,655,999</b>                               | <b>772,315</b>                  | <b>14,428,314</b> |

**December 31, 2022**

|                                    | <b>Floating Rate Financial<br/>Instruments</b> | <b>Fixed Rate<br/>Financial<br/>Instruments</b> | <b>Non-interest<br/>bearing</b> | <b>Total</b>      |
|------------------------------------|--|---|---------------------------------|-------------------|
| <b>Financial assets</b>            | 2,845  | 0   | 10,000                          | 12,845            |
|                                    | <b>2,845</b>                                   | <b>0</b>  | <b>10,000</b>                   | <b>12,845</b>     |
| <b>Financial liabilities</b>       |  |   |                                 |                   |
| <b>Other financial liabilities</b> | <b>0</b>                                       | <b>12,791,642</b>                               | <b>885,015</b>                  | <b>13,676,657</b> |

**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest risk or currency risk. The Group is not exposed to any other price risk.

**Fair value measurements of financial assets and liabilities**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value and carrying value of financial assets and liabilities are as a follow:

|                                | <b>December 31, 2023</b> |                   | <b>December 31, 2022</b> |                   |
|--------------------------------|--------------------------|-------------------|--------------------------|-------------------|
| <b><u>Financial assets</u></b> | <b>Carrying value</b>    | <b>Fair value</b> | <b>Carrying value</b>    | <b>Fair value</b> |
| Cash                           | 34,244                   | 34,244            | 2,845                    | 2,845             |
| Due from related parties       | 42,440                   | 42,440            | 229,675                  | 229,675           |
|                                | <b>76,684</b>            | <b>76,684</b>     | <b>263,047</b>           | <b>263,047</b>    |

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| <u>Financial liabilities</u>             | 2023              |                   | 2022              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Carrying value    | Fair value        | Carrying value    | Fair value        |
| Accounts payable and accrued liabilities | 1,407,050         | 1,407,050         | 1,410,271         | 1,410,271         |
| Accrued and payroll liabilities          | 175,905           | 175,905           | 132,729           | 132,729           |
| Customer advances                        | 772,315           | 772,315           | 885,015           | 885,015           |
| Due to related parties                   | 148,250           | 148,250           | 142,226           | 142,226           |
| Loans                                    | 621,822           | 621,822           | 574,687           | 574,687           |
| Lease liabilities                        | 2,044             | 2,044             | 285,297           | 285,297           |
| Income Tax payable                       | 5,429             | 5,429             | 0                 | 0                 |
| Convertible debentures                   | 13,032,133        | 11,074,781        | 11,931,658        | 10,395,678        |
|  | <b>16,164,947</b> | <b>14,207,595</b> | <b>15,361,883</b> | <b>13,825,903</b> |
| Capital stock reserve-broker warrants    | 25,351            | 71,647            | 25,351            | 31,885            |

**OFF-BALANCE SHEET ARRANGEMENTS**

The Group has no off-balance sheet arrangements.

**RISKS AND UNCERTAINTIES**

The following are certain factors relating to the Group's business which prospective investors should carefully consider before deciding whether to purchase common shares in the Group's authorized capital. These risks and uncertainties are not the only ones we are facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected.

***Risk Factors***

*We may need to raise further capital*

Our business strategy is based in part on the scalability of our operations. In order to expand our operations, we will need to raise additional funds in the future, and such funds may not be available on commercially reasonable terms, if at all. If we cannot raise enough funds on acceptable terms, we may not be able to fully implement our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. This could seriously harm our business, financial condition and results of operations.

***Key Personnel Risk***

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

**DISCLAIMER**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents. No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.

**TheraCann International Benchmark Corporation and Subsidiaries**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three-month ended on March 31, 2024**

*(Expressed in United States Dollars)*

**TheraCann International Benchmark Corporation and Subsidiaries**  
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**INTRODUCTION**

This management's discussion and analysis ("MD&A") of the financial position and results of operations for TheraCann International Benchmark Corporation and Subsidiaries (the Group) is prepared by management as at July 16, 2024. The information herein should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2024 and the related notes contained therein, which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on July 16, 2024.

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue of the Company. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in United State dollars, the reporting currency of the Group, unless specifically noted.

**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include but are not limited to: volatility of stock price and market conditions, regulatory risks, difficulty in forecasting, key personnel, limited operating history, competition, investment capital and market share, market uncertainty, additional capital requirements, management of growth, pricing policies, litigation, no dividend history. The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in the MD&A include: (a) execution of the Company's existing plan to become a global leader and distributor of its products and related product lines. (b) ability to secure distribution partners (c) demand for the Company's products. Forward looking statements are based on a number of assumptions that may prove to be incorrect including but not limited to assumptions about: the impact of competition; the ability to obtain new financing on acceptable terms; the ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest. The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company. Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking statements will materialize. Unless required by applicable securities laws the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, see "Risk Factors".

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "Risk Factors".

**COMPANY BACKGROUND**

**TheraCann International Benchmark Corporation and Subsidiaries**  
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TheraCann International Benchmark Corporation ("The Parent Company", "TIBC") was incorporated under the laws of the Republic of Panama, through the Public Deed No. 7137 dated April 26, 2017, and commenced operations on the same date. The registered offices were located at Parque Internacional de Negocios, Edificio 3860 Unit 5B, Panama Pacifico, Veracruz Township, Arraiján District, Panama Province, Republic of Panama. The new facilities are located in Panama Viejo Business Center, office G7.

Its main activity is to provide complete turnkey infrastructure solutions with the best technology efficient, affordable, innovative, and adaptable vertical indoor farming to highly regulated markets in the pharmaceutical industry, food industry, and government entities, ensuring traceability and maximum product quality. TheraCann offers a complete supply chain solution. From the industry/project that starts with the legal regulatory framework to production, procedures, distribution, and integration of primary technologies.

The Companies included in the consolidated financial statements of TheraCann International Benchmark Corporation and its wholly owned subsidiaries are the following:

Sprout AI Inc. ("SAI". Formerly, 12682803 B.C. Ltd.), a subsidiary owned 53% by the "Parent Company" was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. On June 1, 2021, Sprout AI, Inc. changed its name from "12682803 B.C. Ltd." to Sprout AI Inc. On July 5, 2021, the shares of the Company began trading on the Canadian Securities Exchange ("CSE") under the symbol of SPRT and subsequently changed to BYFM on November 5, 2021. On January 14, 2022, the shares of the Company began trading on the United States OTC stock market under the symbol BYFMF. The Company's head office is located at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2. The Company is engaged in vertical farming technology and is in the business of planning, design, manufacturing and /or assembling sustainable and scalable AI-controlled vertical cultivation equipment (the "habitat") for indoor vertical farming.

Sprout AI S.A. ("SASA") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on November 19, 2018, in the Republic of Panama through Public Deed No. 30280. The registered office of Sprout is located at The International Business Park Unit 5B, Building 3860, Panama Pacifico, Republic of Panama. SASA was registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 on October 7, 2019.

Sprout AI Australia PTY LTD. ("SAPTY") a subsidiary owned 53% by the "Parent Company" is a limited liability company incorporated on September 6, 2021, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia.

TheraCann Canada Benchmark Corp. ("TCAN") a subsidiary owned 100% by the "Parent Company", was incorporated on January 12, 2016, under the business Act of the Government of Alberta. On January 2, 2019, TCAN and "The Parent Company" entered into a Master Inter-Company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCAN's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

TheraCann Australia Benchmark Pty Ltd. ("TAUS") a subsidiary owned 100% by the "Parent Company" was incorporated on July 17, 2017, under the Business Corporation Act 2001 and is taken to be registered in New South Wales in Australia. On June 1, 2019, TAUS and "The Parent Company" entered into a service agreement in which the "Parent Company" provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAUS's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology.

One System One Solution, S.A., ("OS2") a subsidiary owned 100% by the "Parent Company" was incorporated as a corporation through Public Deed No. 3,336 on February 6, 2018, and registered in the Public Registry of Panama on March 5, 2018. Its main activity is the development of applications for enterprise resource management and compliance. These applications encompass systems that oversee all daily operations, as well as the monitoring and control processes in vertical farming systems using the Sprout technology.

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TheraCann Canada Inc. ("TCI") a subsidiary owned 100% by the "Parent Company", was incorporated on April 01, 2019, under the business Act of the Government of Alberta. On July 1, 2019, TCI and "The Parent Company" entered into a Master Inter-company service agreement in which the Parent Company provides access to intellectual property, software, technologies, logistics services, support, among other resources. TCI's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology and project management services.

ETCH Biotrace, S.A. ("ETCH") a subsidiary owned 100% by the "Parent Company", was incorporated on February 1, 2019, as a private limited company under the laws of the Republic of Panama. ETCH primary activity is to provide plant with irremovable taggant tracking system that can be used to confirm authenticity of crop source.

TheraCann Africa Benchmark ("TAFR") a subsidiary owned 100% by the "Parent Company" was incorporated on June 20, 2022, under the terms of the Minister of Trade and Industry section 223 of the Companies Act 2008 (Act No. 71 of 2008). On June 1, 2022 TAFR and "The Parent Company" entered into a service agreement in which the "Parent Company" provides access to intellectual property, software, technologies, logistics services, support, among other resources. TAFR's primary activity is to provide turnkey solutions for vertical farming structures using Sprout technology

#### **COMPANY'S OPERATIONS AND OUTLOOK**

The ability of the Group to be successful in obtaining additional future financing cannot be predicted at this present time and as such there is a material uncertainty that may cast significant doubt on the ability to continue as a going concern. The continuation of the Group as a going concern is dependent on the ability of the Group to achieve positive cash flow from operations and/or obtain necessary equity or other financing to meet its current obligations and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

As we reflect on our journey and look forward to the future, TheraCann International Benchmark Corporation is poised for transformative growth and innovation. Here are the forward-looking statements based on our current initiatives and strategic planning represented by the management:

#### **Financial Strengthening, Capital Raise, and Financial Outlook:**

In Q2 2023, TheraCann initiated a non-brokered private placement round to raise USD1M, selling shares within TheraCann at USD3.50 per Common "A" Voting Share. As of Q3 2023, TheraCann had closed the oversubscribed round at USD1.32M. In Q1 2024 TheraCann initiated a second non-brokered private placement round to raise USD2.5 million for operational and capital expenses at USUSD3.50 per Common "A" Voting Share. As of April 30, 2024 TheraCann was oversubscribed at USD3.85M. In included in this round was a share swap of TheraCann shares valued at USD3.5 per share in exchange for ownership of land in Panama suitable for construction of TheraCann's CPC sized facility. The land was appraised by Colliers valued at USD3,030,000, and is strategically located near one central food production, and packaging center of one of TheraCann's largest grocery store clients. In Q1 2024 TheraCann also secured short term loans totaling USUSD370K, payable at 8% interest per month. In Q2 2024 TheraCann is in process of securing additional lines of credit, and / or mortgages, on the above land totaling up to 80% of the land value to ensure prompt project commencement. In addition to the above TheraCann has also secured memorandum of understanding (MOU), and Term Sheets to access capital post amalgamation between TheraCann and Sprout AI, totaling over USD250M for purposes of financing its 5 years business plan. In so doing, TheraCann has secured sufficient additional capital for sustainable growth and profitability.

**Expansion of Physical Infrastructure:** TheraCann has prepared a 5-year business plan ending December 2029 that includes a planned roll-out of up to 27 separate locations, in up to 7 different countries, that will include a mixture of Discovery Centre (DC), Centre of Excellence (COE), and Commercial Production Centre (CPC) sized facilities. The purpose of these strategic urban farms will be to bring our products closer to consumers, reducing logistics costs and enhancing market responsiveness. By strategically positioning these facilities globally, we will have significantly managed global risks including country, political, economic, project, and technology risks. This expansion aims to cater to grocery store chains and restaurants that heavily rely on imports to service their domestic markets. When fully operational, a DC facility is projected to generate USD3.0 million in revenue with expenses of USD1.6 million, resulting in an EBITDA of USD2.3M, based on a sales price of USD48 per Kg. TheraCann's larger COE facility is expected to achieve revenues of USD7 million with expenses of USD2.6 million, yielding an EBITDA of USD4.7 million based on

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USD48 per Kg. Finally, the CPC facility, designed to meet high-demand commercial needs, anticipates generating revenues of USD24.7 million with expenses of USD2.3 million, resulting in an EBITDA of USD17 million based on USD48 per Kg. In preparation for this expansion plan, the company aims to establish up to 2-4 new FaaS facilities commencing in 2024, consisting of 1-2 DC facilities, and 1-2 CPC facilities.

With an estimated CAPEX cost of USD72 million, these facilities are projected to generate an annual EBITDA of USD38.6 million at full capacity based on USD48 a Kg. The remaining 23 facilities are then designed through 2025 through 2028 in a ramping up schedule of 5-6 facilities per year. At peak production gross revenues of USD140M per year are projected.

**Global Expansion through Local Integration:**

The establishment of partnerships with local universities enables TheraCann to provide practicum and internship programs within each new city farm facility placement. TheraCann currently has proven this model to be very effective in relation to this partnership with UDELAS University of Panama, University of Honduras, and as February 2024 has entered into a three-year agreement with Manipal Dubai University of Dubai, 2024-2027. Each agreement further enhances TheraCann's ability to conduct ongoing research as well as our integration of our operations into local communities and markets. Coupled with these agreements is TheraCann's focus on providing ongoing support to Federal Government Department's of Agriculture. This includes Sprout AI's agreement with the Republic of Panama, Department of Agriculture, Department of Innovation's (IDIAP) two-year agreement to further evaluate the efficacy of Sprout AI's aeroponic and fogponic systems in relation to cultivation of strawberry and potato, in direct comparison to cultivation using hydroponic and traditional field production. IDAP's multi-year evaluation of the Sprout AI system, including analysis of cost of production versus traditional farming is designed to provide impartial analysis of the efficacy of our Farm as a Solution facility and technologies.

**Innovation in Agricultural Technology:**

The introduction in 2022 of our groundbreaking fogponics cultivation hardware system marks a significant technological advancement over the Sprout AI's previous aeroponic hardware system. This hardware innovation not only substantially reduced the risk of cultivation failure, but also expanded the range of possible fruit and vegetable crops that can be produced indoors, including root-based crops such as carrot, beat, and potato. To further advance this hardware innovation in 2023, TheraCann's One System One Solution (OS2) was advanced to version 7.0, together with an advanced artificial intelligence (AI) module that collections, manages, and reports on the optimal operation of each habitat parameter. To further advance this cultivation and hardware system, in 2024 TheraCann's ETCH Biotrace has begun benchscale testing of a new means of adding an irremovable taggant to plants, that does not require use of DNA, that enables the traceability of each batch of crops. This level of traceability not only ensures the full transparency and traceability of each batch of corps from point of cultivation through to final consumption, destruction, or recall, but ensures the substantial reduction of counterfeit produce, and / or grey market produce entering the marketplace. In so doing, Sprout AI's indoor vertical cultivation system has gone well beyond that of any nearest indoor vertical farm competitor, by providing great range of crops, higher yields, and operations that are shown to be more sustainable in terms of power use, water use, and labour. In 2024 we have begun the process of expanding the list of crops to include the cultivation of mushrooms as well. In so doing, TheraCann will have provided the first turn-key indoor Farm as a Solution (FaaS) Facility that includes a wide range of fruit, vegetables, and mushrooms utilizing the same technology, and that is without risk of contamination from biological or chemical sources (is Pure).

**Transition to a Hybrid Operational Model:**

Learning from the challenges faced in client-based "You Own" projects in 2021, and 2021, TheraCann chose to enhance our business model in 2023 by implementing a "We Own" FaaS Facility model. This shift has enabled TheraCann to control the location, timing, and cost of its future projects, as well as to control more aspects of production.

Having relied solely on a "You Own" model resulted in all previous projects starting behind schedule, largely due to client internal managerial issues, including the timely financing of the project. Having adopted a hybrid model, we are now have the option to work with a Client under a "You Own" model, or it financing is directly available to TheraCann, immediately commence a "We Own" model project. As of Q2 2024 TheraCann has commenced a "We Own" project in the Republic of Panama that will be a Commercial Production Centre (CPC) sized facility. Land for this project was

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procured through a land for TheraCann common "A" voting share swap. Land was subsequently put into Trust, and through that trust title to the land was transferred to TheraCann, and shares transferred to the previous owner of the land. Then through this Trust, TheraCann was able to quickly secure financial loan facilities to commence project construction for this CPC location. Following this success, TheraCann is actively negotiating additional land for equity swaps in Q2 2024 for additional project sites, and to then seek additional traditional financing for project construction commencement.

**Direct Sale to Wholesale Market of Pure Produce:**

Starting in 2023 and expanding in 2024, TheraCann chose to market and directly sell its Pure produce, which consists of fruits and vegetables, to domestic grocery stores within 50 kilometers of its Centre of Excellence (COE) production and processing center in Panama Pacifico, Republic of Panama. This included sale of over 15 different crops consisting of fruit and vegetables and sold at a wholesale price to these customers. This produce was cultivated under licensed obtained from the Panama Department of Health (MINSA) in Q4 2023. Produce was produced within TheraCann's Centre of Excellence (COE) located in Panama Pacifico and produced within Sprout AI controlled environment habitats. Following the successful weekly delivery of small batch crops, TheraCann sought to obtain in Q1 2024 official vendor status from the main grocery store chains in the Republic of Panama. Having obtained vendor status, TheraCann was required in 2024 to increase its production volume in Panama from its current Sprout AI habitats to a full Commercial Production Centre (CPC) Facility. Consequently, TheraCann is in process of moving from its COE as of May 2024, and commencing constructing one to two CPC's in Panama in 2024/2025 to fulfill local market demand. This wholesale model will be repeated in a multitude of different global markets based on its low cost of marketing, distribution, and high success of larger volume product placement. The median average price for produce targeted to be placed within these facilities is a median average price of USD48 per kilogram (Kg). At full production a CPC will be expected to produce USD23.5M per year in revenue and generate returns on assets (ROA) of higher than 10%, and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of higher than 60%.

**Filing of Patents and Trademarks:**

Commencing in 2021 and continuing through 2023, TheraCann Companies and Sprout AI filed through Aalbun LLC a series of applications for trademarks and patents to protect our intellectual property (IP). These include, but are not limited to:

- GB2117915.5 10/12/2021 Patent Non-Provisional GB – United Kingdom GB2613633 Published method and system for automated indoor vertical cultivation of plants.
- PCT/IB2022/062076 12/12/2022 Patent Non-Provisional WO - World Intellectual Property Organization (WIPO) WO2023105502 Published method and system for automated indoor vertical cultivation of plants.
- B2308692.9 09/06/2023 Patent Non-Provisional GB - United Kingdom Pending method and system for automated indoor vertical cultivation of plants.
- GB2308694.5 09/06/2023 Patent Non-Provisional ZA - South Africa Pending method and system for automated indoor vertical cultivation of plants.
- SG10202113746Y 10/12/2021 Patent Non-Provisional SG – Singapore Pending method and system for automated indoor vertical cultivation of plants.

Our IP is registered through Panama which then offers additional IP under Penal Law.

In conclusion, TheraCann is navigating current challenges with strategic acumen and is laying a solid foundation for future growth. We are committed to leveraging our technological innovations and operational expansions to deliver sustainable value to our stakeholders and significantly enhance our market position.

**TheraCann Beyond Farming / LetStartup by Deloitte:**



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In May 2024 Sprout AI Inc. was accepted as a finalist in the LetStartup by Deloitte Powered by Endeavor Program in Latin America (LATAM). This program is free of charge and offers multiple benefits including assistance with expansion within LATAM, making Sprout AI more visible to top clients in Latin America, and direct access to the innovation ecosystem of Deloitte Spanish Latin America divisions.

**TheraCann Beyond Farming / MBRIF:**

TheraCann Beyond Farming has been accepted into the Mohammed bin Rashid Innovation Fund (MBRIF) Acceleration Program in the UAE. This program began on May 22, 2024, supporting our rapid expansion within the UAE. This program is free of charge and offers multiple benefits including assistance with expansion within the UAE, assisting with access to financing, technology, marketing, banking, and intellectual property support.

**TheraCann / Sprout AI Open House:**

On May 1, 2024, we moved to a new facility in downtown Panama City. On May 20th, we hosted an Open House for Panama Banks, Grocery Store Clients, and Investors, showcasing our rapid deployment capabilities and new crops provided by the Republic of Panama's Department of Agriculture.

**Additional Recognition:**

In April 2024, our strawberries, produced in our Sprout AI hermetic habitats have been shown to be free of contaminants, have demonstrated superior shelf life, lasting up to 28 days. This long shelf life is a significant selling point for grocery stores. Consequently, TheraCann / Sprout AI have secured authorized dealer status from a number of grocery store chains within the Republic of Panama, who will then be the focus of delivery from the proposed CPC facility in Capira, Panama.

In December 2023 the Company was invited by the Special University of LATAM (UDELAS) to participate in a blind test of over 100 consumers comparing the Company's strawberry's produced using Sprout AI's aeroponic, and fogponic technologies, against the leading domestic and imported strawberry's. The test was conducted on the UDELAS university campus whereby 4 strawberry's were presented to each consumer to quantitatively score and record their experience based on the color, shape, texture, taste and aroma of each berry. In this blind side by side test, both Sprout AI's strawberry's produced using aeroponic and fogponic technology were the preferred consumer choice, with consumer approval of over 75%. This independent consumer study was then used to enable the Company to gain entry into larger grocery store chains, for the purpose of obtaining vendor registration, and to negotiate long term purchase agreements of fruit, vegetables, and in future mushrooms, produced using Sprout AI technology.

On November 17, 2023, the Federal Ministry of Health, Republic of Panama (MINSa), issued licensed to the Company to produce, process, and distribute fruit and vegetables for sale into the domestic market of Panama.

On May 29, 2023 the Company signed an Definitive Agreement with TheraCann International Benchmark Corp. ("TheraCann") that defines the terms and conditions for the two entities to be combined via a Reverse Takeover of Sprout AI. A common share ratio split for the two entities has been agreed to at a value of 70:30 (TheraCann:Sprout).

On May 11, 2023 the Company announced the successful completion of its research project for the cultivation of the first potato seed from the "Karú" variety, produced in controlled environmental. This project was carried out under the agreement that the Company has with the Agriculture Innovation Institute of Panama (IDIAP), the leading agricultural research institute in the country. The seed were presented to IDIAP, the Agriculture Ministry, and farmer representatives during a ceremony held at the Companies COE. With this project, the Panamanian government seeks to replace the import of potato seeds for cultivation, currently coming from Germany, with a national production harvested in the Sprout AI system. The yield using fogponics in the Sprout AI habitats is promising, and the visit by IDIAP highlights the importance of technology in agriculture and its potential impact on food security in Panama. The Deputy Minister in Charge highlighted the importance of this initiative, which will benefit potato producers in the country, especially those in the Highlands, due to its impact on food security in Panama. She added that this project

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demonstrates that successful results can be achieved when the National Government and private companies work as allies. She also pointed out that innovation is being made in this area, thanks to the joint effort with private companies such as TIBC and its publicly traded subsidiary Sprout AI.

On May 3, 2023 TheraCann signed a three year agreement with the Special University of LATAM (UDELAS) for the purpose of initiating a practicum program for UDELAS students to utilize Sprout AI technology for the purpose of completing their university degree programs. Under this program, students would be provided access to TheraCann's COE in Panama Pacifico, then trained on the use of Sprout AI aeroponic and fogponic technology. Once trained, those students were then granted access to the Sprout AI technology for the purpose of furthering their studies and experiments in relation to bio-chemistry, and food science. Results of those studies and experiments would then be published in the following year.

On December 28, 2022, the Cease Trade Order was lifted on trading of the Common Shares on the Canadian Stock Exchange and the shares commenced trading.

In December 2022, the Company completed the construction for 75 Sprout AI habitat controllers to TheraCann for their client in Zimbabwe. Presently, TheraCann has suspended the commitment for additional units due to its Client's financial difficulties, and due to lack of adequate power to the facility as required by EU GMP compliance standards, health & safety, and security. Some components, but not all, were shipped to Zimbabwe by December 2022 for arrival in Q1 2023.

On August 29, 2022, the Company signed a Letter of Intent with Fontagro, Fontagro is a development agency financed by Latin and South America countries. They promote science, development and innovation in agriculture and food within Latin America and the Caribbean. Fontagro will assist the Company in securing matching R&D funding, as well as assist the Company to expand into some of the 33 countries in which it operates. In turn the Company will match Fontagro funding, and permit Fontagro to access Company facilities to conduct research and development of plants cultivated within urban indoor vertical cultivation environments.

On August 8, 2022, the Company received a purchase order from its distributor TheraCann for 30 habitats, for an end Client located within the Metropolitan Vancouver Area of British Columbia, Canada. The facility was to be planned, designed and managed by TheraCann International as a Discovery Center measuring a total of 75,000 ft and capable of housing multiple crops totaling up to 60,000 plants. As noted in previous filings, this was a forward looking statement and noted that the success of this agreement was dependent directly on the success of funding received by the end Client paid to TheraCann International. As of the date of this filing, the Client has not received or otherwise provided funding for this project.

On June 27, 2022, the Company signed a 5 year agreement with Instituto de Innovación Agropecuaria de Panamá (IDIAP). Under the terms of this agreement the Company has provided IDIAP with access to its habitats at its manufacturing facility in Panama, to assist the Company with ongoing new crop development and confirmation of the Company's plant cycle time and yield data. The Company will provide IDIAP with access to the Company's habitats and database of information, and IDIAP will provide its scientists, and access to research funding.

On June 15, 2022 the Company signed a 3 year agreement with Centro Activo 20/30 Los Combras ("Centro"). Centro is a not-for-profit organization that provides charity programs to communities including their famed "rice and beans" program. Through its agreement with the Company, this program has been extended to include the Company's products cultivated within its Panama facility. Consequently, this program has been renamed "rice, beans and greens" to commemorate the Company's contribution of all "green's" to this country wide program. Under this agreement Centro will provide charitable donation receipts to parties that sponsor the Company's habitats for the purpose of cultivating the greens for this program. Each habitat that is sponsored receives placement of the sponsors logo for a period of one year, and the pricing per habitat varies depending on its position of each habitat within the Company's facility in Panama. Under the program, a total of 75 habitats will be available for sponsorship. However, upon a new Centrol President being elected in January 2023, this program has yet to be re-approved for commencement.

On April 5, 2022, the Canadian Stock Exchange issued a cease trading order on the shares of the Company.

On March 7, 2022, the Company entered into an unsecured commercial loan agreement with S. Halter for \$520,000. The loan has a three-year term. This loan was amended to change the commencement date for re-payment of the

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loan to August 2023.

*Financial statement readers should note that the above statements may contain forward looking information and/or assumptions and actual results may vary from the forward-looking information presented. In order to deliver on the contracts mentioned, the Company will face several risk factors such as obtaining supplies and financing to complete the order and standard manufacturing completion risks all of which may cause actual results to differ materially from the forward-looking information. This is also the case with any press releases issued by the Corporation on operations.*

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**FINANCIAL PERFORMANCE**

**SELECTED FINANCIAL INFORMATION**

|  | <b>Three Months Ended March 31,</b> |             |
|--|-------------------------------------|-------------|
|  | <b>2024</b>                         | <b>2023</b> |
| Total Revenue                            | <b>79</b>                           | 159,306     |
| Net income (loss) for the period         | <b>(380,737)</b>                    | (286,988)   |
| Net loss per share-basic                 | <b>(0.04)</b>                       | (0.03)      |
| Capital expenditures net of dispositions | <b>(159)</b>                        | (9,320)     |

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|                   | <b>March 31,</b>    | <b>December 31,</b> |
|-------------------|---------------------|---------------------|
|                   | <b>2024</b>         | <b>2023</b>         |
| Total assets      | <b>2,517,259</b>    | 2,344,183           |
| Total liabilities | <b>16,539,297</b>   | 16,164,948          |
| Working capital   | <b>(15,433,256)</b> | (15,267,015)        |

**RESULTS OF OPERATIONS**

The following paragraphs provide information about the results of the Company's on-going operations for the three months ended March 31, 2024.

***Revenue***

For the three months ended March 31, 2024, the Company generated revenue of \$79 as compared to \$159,306 same period of 2023. This small amount of revenue was from a test trial of Strawberries and is considered immaterial but is still recorded.

Revenue is primarily generated from the sale of products in habitat manufacturing and management and consulting services from related parties through TheraCann International, the Parent of the Company.

***Net Loss for the period-end***

For the three months ended March 31, 2024 the Company recorded a net loss of \$380,737 as compared to a loss of \$286,988 in the corresponding period of 2023.

The losses were primarily as a result of payroll expenses, professional fees and general and office administration costs.

***Depreciation expense***

Depreciation expense on capital assets for the three months ended March 31, 2024 was \$60,123 compared to \$206,380 for the corresponding period of 2023. The decrease is mainly due to the building right-of-use amortization being fully amortized on December 31, 2023.

The Company's depreciation relates to the equipment owned at the manufacturing facility in Panama as well as the depreciation of the Company's right of use assets.

***Capital expenditures***

The Company had no capital additions in the period ended March 31, 2024.

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**SUMMARY OF RESULTS**

The following table summarizes the operation results for the past periods:

| <b>Period Ended</b> | <b>Total Assets</b> | <b>Working Capital</b> | <b>Shareholders' Equity (Deficiency)</b> | <b>Revenue</b> | <b>Net (Loss) Income</b> | <b>Loss per Share</b> |
|---------------------|---------------------|------------------------|--|----------------|--------------------------|-----------------------|
| March 31, 2024      | 2,517,259           | (15,433,250)           | (14,022,041)                             | 79             | (380,737)                | 0.04                  |
| December 31, 2023   | 2,344,183           | (15,267,015)           | (13,820,765)                             | 162,426        | (3,097,516)              | 0.31                  |
| December 31, 2022   | 2,865,938           | (14,549,056)           | (12,495,945)                             | 2,067,723      | (2,945,284)              | 0.29                  |
| December 31, 2021   | 4,845,635           | (12,299,243)           | (9,749,998)                              | 311,923        | (10,579,237)             | 1.06                  |

During the periods presented above the Parent company and Subsidiaries were building a manufacturing facilities, developing its technology and constructing habitats for its own use as floor models and for its initial contract in Zimbabwe. As a result, the Company had minimal revenue during these periods and losses created from the growth activities and listing expenses for the RTO and CSE listing during 2021.

**LIQUIDITY AND CAPITAL RESOURCES**

**Capital management**

The Company considers its capital to be the main component of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. The Company will finance its future activities with debt, equity, hybrid securities and funds from operations.

Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

**Cash and Working Capital**

The Company's working capital position as at the end of the period was as follows:

|                 | <b>March 31, 2024</b> | <b>December 31, 2023</b> |
|-----------------|-----------------------|--------------------------|
| Deficit         | <b>(14,099,355)</b>   | (13,900,155)             |
| Working capital | <b>(15,433,256)</b>   | (15,267,015)             |
| Cash            | <b>217,451</b>        | 34,244                   |

There can be no assurance that the group will be able to obtain adequate financing in the future or that the terms of such financing or deposits will be favorable. The group may seek additional financing through debt or equity offerings for the purposes of international expansion, but there can be no assurance that such financing will be available on terms acceptable to the group or at all. Any equity offering will result in dilution to the ownership interests of the group's shareholders and may result in dilution to the value of such interests.

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**Operating Activities**

Net cash used in operating activities for the three-month period ended March 31, 2024, was \$13,025 compared to \$(220,638) in the same period of 2023. The group is focusing on ramping up operations during the period and incurred operating expenses as discussed above.

**Investing Activities**

Net cash used in investing activities for the three-month period ended March 31, 2024, was \$(159) as compared to \$(9,320) in the same period of last year used for investments in equipment and product development.

**Financing Activities**

Net cash from financing activities during the three-month period ended March 31, 2024, was \$170,341, compared to \$848,568 in the same period of last year, mostly amounts received from additional paid in capital.

**SHARE DATA**

As at March 31, 2024 the Company had 10,000,000 shares issued.

The following is a summary of the share:

|                                  | <b>Number of common shares</b> | <b>Share capital amounts</b> |
|----------------------------------|--------------------------------|------------------------------|
| Balance, at December 31, 2022    | 10,000,000                     | 10,000                       |
| Balance, at December 31, 2023    | 10,000,000                     | 10,000                       |
| <b>Balance at March 31, 2024</b> | <b>10,000,000</b>              | <b>10,000</b>                |

**RELATED PARTY TRANSACTIONS**

a) Transactions with key management personnel and shareholders

Transactions with key management personnel of the Group include certain members of the Group's Executive Management Team and the Board of Directors and Shareholders which have the responsibilities for strategic planning, oversight and control of the Group. During the period ended on March 31, 2024, the total compensation paid to the executive management team and Board of Directors and shareholders amounted to USD47,228(2023 USD:261,240).

b) Other related party balances:

|                                 | <b>March 31,<br/>2024<br/>(Unaudited)</b> | <b>December 31,<br/>2023<br/>(Audited)</b> |
|---------------------------------|---|--|
| <b>Due from related parties</b> |   |  |
| Christopher Bolton              | 41,426                                    | 42,440                                     |
|                                 | <b>41,426</b>                             | <b>42,440</b>                              |
| <b>Due to related parties</b>   |   |  |
| Christopher Bolton              | 124,103                                   | 106,149                                    |
| Colleen McKay                   | 25,363                                    | 25,363                                     |
| Dean Callaway                   | 6,891                                     | 16,738                                     |
|                                 | <b>156,357</b>                            | <b>148,250</b>                             |

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| <b>Loans to shareholders</b> | <b>March 31,<br/>2024<br/>(Unaudited)</b> | <b>December<br/>31, 2023<br/>(Audited)</b> |
|------------------------------|---|--|
| Julie Bolton                 | 8,297                                     | 8,116                                      |
| Robert Bolton                | 15,356                                    | 15,022                                     |
| Shawn Halter                 | 543,045                                   | 538,498                                    |
|                              | <b>566,697</b>                            | 561,636                                    |

| <b>Accrued liabilities</b> | <b>March 31,<br/>2024<br/>(Unaudited)</b> | <b>December<br/>31, 2023<br/>(Audited)</b> |
|----------------------------|---|--|
| Christopher Bolton         | 94,156                                    | 94,156                                     |

The amounts due from/to related parties are unsecured, non-interest bearing and due on demand.

#### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Several amendments to existing accounting standards became effective March 31, 2024, and were first adopted by the Group during this period end.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances but are subject to judgments and uncertainties inherent in the financial reporting process. In preparing these MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Group's financial instruments consist of cash, accounts receivable and other, due from related parties, accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to credit, liquidity or market risks arising from these financial instruments.

##### **Credit risk and economic dependence**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk on the accounts receivable from its customers and due from related parties. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and regular review of their credit limits.

As of March 31, 2024, the Group had \$41,425 (December 31, 2023 \$42,440) of financial assets carried at amortized cost which were subject to expected credit loss assessment in accordance with IFRS 9. The Group had determined \$Nil (December 31, 2023 \$Nil) for the allowance for expected credit loss as the full balance is due within 12 months. There is no history of default for those debtors.

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**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group has historically relied upon equity financing to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Group will be able to obtain the required financing in the future on acceptable terms. The Group anticipates it will need additional capital in the future to finance ongoing operations, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financing. The Group has limited financial resources, had no source of operating income and has no assurance that additional funding will be available to fund its operations, although the Group has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Group. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents. No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.

|                                    | <b>Floating Rate Financial Instruments</b> | <b>Fixed Rate Financial Instruments</b> | <b>Non-interest bearing</b> | <b>Total</b>      |
|------------------------------------|--|---|-----------------------------|-------------------|
| Financial assets at FVTPL          | 217,451                                    | 0                                       | 0                           | 217,451           |
| Financial assets at amortized cost | 0  | 0                                       | 35,000                      | 35,000            |
|                                    | <b>217,451</b>                             | <b>0</b>                                | <b>35,000</b>               | <b>252,451</b>    |
| <b>Financial liabilities</b>       |  |   |                             |                   |
| <b>Other financial liabilities</b> | <b>0</b>                                   | <b>13,659,694</b>                       | <b>772,315</b>              | <b>14,432,009</b> |

|                                    | <b>Floating Rate Financial Instruments</b> | <b>Fixed Rate Financial Instruments</b> | <b>Non-interest bearing</b> | <b>Total</b>      |
|------------------------------------|--|---|-----------------------------|-------------------|
| <b>Financial assets</b>            | 34,244                                     | 0                                       | 10,000                      | 44,244            |
|                                    | <b>34,244</b>                              | <b>0</b>                                | <b>10,000</b>               | <b>44,244</b>     |
| <b>Financial liabilities</b>       |  |   |                             |                   |
| <b>Other financial liabilities</b> | <b>0</b>                                   | <b>13,655,999</b>                       | <b>772,315</b>              | <b>14,428,314</b> |

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk is the risk to the Group's earnings that arises from volatility in foreign exchange rates. The Group may have contracts with clients to receive fees in currencies other than its measurement currency. This may have an adverse effect on the value of future revenues and assets dominated in currencies other than the United States Dollars, absent any Group specific event.

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TIBC:

|  | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|--|---------------------------------------|--|
|--|---------------------------------------|--|



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|                        |              |              |
|------------------------|--------------|--------------|
| Convertible debentures | (15,197,791) | (15,197,791) |
|------------------------|--------------|--------------|

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for SAI:

|                 | March 31, 2024 (Unaudited) | December 31, 2023 (Audited) |
|-----------------|----------------------------|-----------------------------|
| Cash            | 30,564                     | 2,929                       |
| Account payable | 499,885                    | 486,669                     |
| Loans           | 667,653                    | 665,825                     |

Included in the undernoted accounts are the following Canadian Dollar (CAD) Balances for TCAN and TCI:

|                           | March 31, 2024 (Unaudited) | December 31, 2023 (Audited) |
|---------------------------|----------------------------|-----------------------------|
| Cash                      | 4                          | 183                         |
| Account Payable and other | 51,839                     | 56,472                      |
| Customer advance          | 63,839                     | 63,839                      |
| Loans                     | 127,217                    | 124,084                     |

Included in the undernoted accounts are the following Australian Dollar (AUD) Balances for TAUS and SAA:

|                  | March 31, 2024 (Unaudited) | December 31, 2023 (Audited) |
|------------------|----------------------------|-----------------------------|
| Cash             | 458                        | 8,746                       |
| Account payable  | 135,397                    | 142,493                     |
| Customer deposit | 1,066,707                  | 1,066,707                   |

Included in the undernoted accounts are the following South African Rand (ZAR) Balances for TAFR:

|                 | March 31, 2024 (Unaudited) | December 31, 2023 (Audited) |
|-----------------|----------------------------|-----------------------------|
| Account payable | 78,956                     | 44,941                      |

**Interest rate risk**

The Group has deposits in financial institutions. The Group is exposed to reductions in interest rates, which could impact expected current and future returns. As at March 31, 2024, the amount of USD217,451(2023: USD34,244) was held in deposits with financial institutions.

**March 31, 2024**

| Floating Rate Financial | Fixed Rate Financial | Non-interest bearing | Total |
|-------------------------|----------------------|----------------------|-------|
|-------------------------|----------------------|----------------------|-------|

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|                                    | Instruments    | Instruments       |                |                   |
|------------------------------------|----------------|-------------------|----------------|-------------------|
| Financial assets at FVTPL          | 217,451        | 0                 | 0              | 217,451           |
| Financial assets at amortized cost | 0              | 0                 | 35,000         | 20,000            |
|                                    | <b>217,451</b> | <b>0</b>          | <b>35,000</b>  | <b>237,451</b>    |
| <b>Financial liabilities</b>       |                |                   |                |                   |
| <b>Other financial liabilities</b> | <b>0</b>       | <b>13,659,694</b> | <b>772,315</b> | <b>14,432,009</b> |

December 31, 2023

|                                    | Floating Rate Financial Instruments | Fixed Rate Financial Instruments | Non-interest bearing | Total             |
|------------------------------------|-------------------------------------|----------------------------------|----------------------|-------------------|
| <b>Financial assets</b>            | 34,244                              | 0                                | 10,000               | 44,244            |
|                                    | <b>34,244</b>                       | <b>0</b>                         | <b>10,000</b>        | <b>44,244</b>     |
| <b>Financial liabilities</b>       |                                     |                                  |                      |                   |
| <b>Other financial liabilities</b> | <b>0</b>                            | <b>13,655,999</b>                | <b>772,315</b>       | <b>14,428,314</b> |

**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest risk or currency risk. The Group is not exposed to any other price risk.

**Fair value measurements of financial assets and liabilities**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value and carrying value of financial assets and liabilities are as a follow:

|                          | March 31, 2024 (Unaudited) |                | December 31, 2023 (Audited) |               |
|--------------------------|----------------------------|----------------|-----------------------------|---------------|
| <u>Financial assets</u>  | Carrying value             | Fair value     | Carrying value              | Fair value    |
| Cash                     | 217,451                    | 217,451        | 34,244                      | 34,244        |
| Due from related parties | 41,425                     | 41,425         | 42,440                      | 42,440        |
|                          | <b>258,876</b>             | <b>258,876</b> | <b>76,684</b>               | <b>76,684</b> |

|                              | March 31, 2024 (Unaudited) |            | December 31, 2023 (Audited) |            |
|------------------------------|----------------------------|------------|-----------------------------|------------|
| <u>Financial liabilities</u> | Carrying value             | Fair value | Carrying value              | Fair value |

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|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| Accounts payable and accrued liabilities | 1,753,786         | 1,753,786         | 1,407,050         | 1,407,050         |
| Accrued and payroll liabilities          | 191,716           | 191,716           | 175,905           | 175,905           |
| Customer advances                        | 772,315           | 772,315           | 772,315           | 772,315           |
| Due to related parties                   | 156,357           | 156,357           | 148,250           | 148,250           |
| Loans                                    | 626,209           | 626,209           | 621,822           | 621,822           |
| Lease liabilities                        | 1,352             | 1,352             | 2,044             | 2,044             |
| Income Tax payable                       | 5,429             | 5,429             | 5,429             | 5,429             |
| Convertible debentures                   | 13,032,133        | 11,074,781        | 13,032,133        | 11,074,781        |
|  | <b>16,539,297</b> | <b>14,581,945</b> | <b>16,164,948</b> | <b>14,207,596</b> |
| Capital stock reserve-broker warrants    | <b>25,351</b>     | <b>71,647</b>     | 25,351            | 71,647            |

**OFF-BALANCE SHEET ARRANGEMENTS**

The Group has no off-balance sheet arrangements.

**RISKS AND UNCERTAINTIES**

The following are certain factors relating to the Group's business which prospective investors should carefully consider before deciding whether to purchase common shares in the Group's authorized capital. These risks and uncertainties are not the only ones we are facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected.

***Risk Factors***

*We may need to raise further capital*

Our business strategy is based in part on the scalability of our operations. In order to expand our operations, we will need to raise additional funds in the future, and such funds may not be available on commercially reasonable terms, if at all. If we cannot raise enough funds on acceptable terms, we may not be able to fully implement our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. This could seriously harm our business, financial condition and results of operations.

***Key Personnel Risk***

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

**DISCLAIMER**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents. No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.

**SCHEDULE "E"**

**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

*[See attached]*

## **UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

The following Unaudited Pro Forma Consolidated Financial Information contains unaudited pro forma consolidated income statements of TheraCann International Benchmark Corp (TheraCann) for the year ended December 31, 2027, including the audited consolidated financial statements for the years ending December 31, 2021, December 31, 2022, and December 31, 2023 prepared in accordance with IFRS, and the unaudited but reviewed consolidated financial statement for quarterly statement ending March 31, 2024, prepared in accordance with IFRS. This Unaudited Pro Forma Consolidated Financial Information has been derived from assumptions described below the projections and based solely on:

- a “We Own” project model basis and do not include any “You Own” pre-existing contracts of TheraCann;
- the implementation of four (4) Commercial Production Centre (CPC) facilities;
- the independent project feasibility study prepared for TheraCann by Insignia Financial Advisors (Insignia) for the Capira CPC 5 year business model; and
- the historical production cycle time and yield of five (5) crops produced indoors using Sprout AI fogponic vertical farming technology, and One System One Solution (OS2) software.

The Unaudited Pro Forma Consolidated Financial Information is presented for illustrative purposes only. The unaudited pro forma adjustments are based on available information and certain assumptions that TheraCann believes are reasonable and give effect to events that are directly attributable to the Amalgamation with Sprout AI Inc. (Sprout), and its subsidiary Sprout AI S.A. (Subco), and the Financing and are factually supportable.

The unaudited pro forma consolidated financial information does not reflect any cost savings or other synergies that may result from the Consolidation nor does it reflect any special items such as restructuring and integration costs that may be incurred as a result of the Consolidation. Neither the adjustments nor the resulting pro forma financial information have been audited. In evaluating the Unaudited Pro Forma Consolidated Financial Information, investors should carefully consider the consolidated financial statements of TheraCann.

### **UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THERACANN FOR THE YEAR ENDED DECEMBER 31, 2027.**

#### **Introduction**

Under the “We Own” model described above, TheraCann’s 10 year business plan has selected in excess of twenty (25) locations for BenchmarkSOLUTION FaaS Facilities. For the purpose of this 5 year proforma only four (4) locations have been selected for illustration.

As part of its commercialization plan, TheraCann left its Centre of Excellence (COE) sized facility in Panama Pacifico on April 30th, 2024 as the first step in opening a Commercial Production Centre (CPC) sized facility in Capira, Republic of Panama. During the construction of the CPC which is to commence in Q4 2024, having secured land for this facility, TheraCann has as of May 2024 occupied a Discovery Centre (DC) sized facility to act as a showroom, to continue R&D, and act as the primary assembly area for Sprout AI controllers for pending expansion projects. Revenue from the DC operations that may result from research and development (R&D) contracts, or sale of produce from its showroom, are not included in this model.

In July 2024 TheraCann entered into a Promise to Purchase Agreement, and a Trust Agreement whereby TheraCann has secured two adjoining parcels of undeveloped land (“the Land”) totalling 76,328 m2 (7.63 Hectares) appraised by Colliers International to be valued at \$2,648,950. The Land is located in Capira which is within 50 kilometers of downtown Panama City. Under the terms of the Trust, these TheraCann shares will be converted to Sprout AI shares under the terms of the

Amalgamation. One portion of this property that is connected to municipal roads and utilities will be used to construct a Commercial Production Centre (CPC) sized facility. The building used for this CPC will be an Allied Steel food-grade fabricated structure, measuring a total of 7,700 m<sup>2</sup>. The structure will be located within 800 meters of one of Panama's largest food processing centers serving one of Panama's largest grocery store chains. The budget for this project is \$16.5M which includes the Allied Steel building, Sprout AI equipment, and costs of construction. Funding for this project will be partially provided as debt and equity, and construction is expected to commence by Q3 2024. This CPC will hold up to 1,500 Sprout AI Habitats, producing over 475,000 KG of our "pure" produce per year. Wholesale of all produce will be provided under terms of open purchase agreements and off-take agreements with the adjacent 3<sup>rd</sup> party industrial food processing center, as well as competitive grocery store chains. Based on the current list of high value crops that the Capira Project will produce is valued at \$40 per Kg. Cost to produce these crops is estimated to be \$8 per Kg, resulting in a net profit of \$32 per Kg. Annual sales from this project are estimated to be \$19M per year.

Pricing for the remaining 3 facilities using in this model are based on the same pricing model given the flexibility of Sprout AI vertical cultivation hardware, and OS2 cultivation software, to adapt easily to accommodate different high value crops within each market area in which these facilities will operate.

Although all projects may also derive a secondary revenue stream from the sale of greenhouse gas avoidance credits generated for each project through the avoidance of carbon emissions generated by traditional long haul transportation, significant reduction of nitrate fertilizer use, avoidance of carbon sequestration release due to soil tillage, and avoidance of traditional slash and burn agricultural practices, this model has not included this additional revenue opportunity.

The below illustration has been prepared based on the above projections of the Capira project, as reviewed by Insignia, and based on a seven (7) month separation between projects start commencement dates.

The purpose of the Unaudited Pro Forma Consolidated Financial Information is to show the material effects that the Consolidation would have had on the historical consolidated audited financial statements of TheraCann as if it had occurred as of August 30, 2024.

The Unaudited Pro Forma Consolidated Financial Information has been prepared in accordance with the basis of IFRS accounting principles. As the Consolidation has not yet been completed, pro forma adjustments are based upon available information and certain assumptions that management of TheraCann believes are reasonable.

Based on its nature, the Unaudited Pro Forma Consolidated Financial Information addresses only a hypothetical situation and, therefore, does not represent the TheraCann's actual financial position or results after completion of the Consolidation.

The Unaudited Pro Forma Consolidated Financial Information includes the following notes:

- Note 1 – Basis of preparation
- Note 2 – Historical financial information of Sprout and TheraCann,
- Note 3 – Consolidation costs

Preliminary purchase price allocation only includes identification and valuation of tangible and intangible assets, as well as share-based payment awards. The final purchase price allocation will be performed at the Consolidation date and will address all identifiable assets acquired and liabilities assumed in accordance with IFRS 3 Business Combinations.

**Unaudited pro forma consolidated income statement for the year ended December 31, 2028**

|                           | <b>Without Amalgamation</b> | <b>With Amalgamation</b> | <b>5 year Pro-Forma</b> |             |             |             |             |
|---------------------------|-----------------------------|--------------------------|-------------------------|-------------|-------------|-------------|-------------|
|                           | <b>Aug-24</b>               | <b>Aug-24</b>            | <b>2024</b>             | <b>2025</b> | <b>2026</b> | <b>2027</b> | <b>2028</b> |
| <b>Total Assets</b>       | 2,517,259                   | 5,166,209                | 20,166,209              | 74,201,716  | 126,986,565 | 176,271,151 | 225,555,736 |
| <b>Total Liabilities</b>  | 16,539,303                  | 6,202,592                | 21,202,592              | 66,202,592  | 81,202,592  | 81,202,592  | 81,202,592  |
| <b>Shareholder equity</b> | -14,022,044                 | 1,036,383                | 1,036,383               | 10,071,890  | 47,856,739  | 97,141,325  | 146,425,910 |
| <b>Deficit</b>            | -14,099,358                 | 8,892,157                | 12,177,796              | 49,284,585  | 49,284,585  | 49,284,585  | 49,284,585  |

**Unaudited pro forma consolidated statement of financial position as of December 31, 2028**

| THERACANN BEYOND FARMING               | ACTUAL                            |                                   |                                   | REVIEWED  | 5 YEAR PRO-FORMA |           |           |           |             |  |  |  |  |  |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------|------------------|-----------|-----------|-----------|-------------|--|--|--|--|--|
|  | Year-ended<br>December 31<br>2021 | Year-ended<br>December 31<br>2022 | Year-ended<br>December 31<br>2023 |           | Q1 2024          | Q2 2024   | Q3 2024   | Q4 2024   |             | Forecast Year-<br>end December<br>31, 2024 | Forecast Year-<br>end December<br>31, 2025 | Forecast Year-<br>end December<br>31, 2026 | Forecast Year-<br>end December<br>31, 2027 | Forecast Year-<br>end December<br>31, 2028 |
| Revenue/Income                         |                                   |                                   |                                   |           |                  |           |           |           |             |  |  |  |  |  |
| Sales of products                      | 238,936                           | 1,279,548                         | 0                                 | 79        |                  |           |           |           |             | 79   | 17,455,748                                 | 72,996,762                                 | 95,213,168                                 | 95,213,168                                 |
| Service revenue                        | 72,987                            | 788,175                           | 162,426                           |           |                  |           |           |           |             |  |  |  |  |  |
| Total Income                           | 311,923                           | 2,067,723                         | 162,426                           | 79        | 0                | 0         | 0         | 0         | 79          | 17,455,748                                 | 72,996,762                                 | 95,213,168                                 | 95,213,168                                 | 95,213,168                                 |
| Costs                                  |                                   |                                   |                                   |           |                  |           |           |           |             |  |  |  |  |  |
| Cost of sales                          | 0                                 | 694,721                           |                                   | 286       |                  |           |           |           | 286         | 6,064,147                                  | 25,359,162                                 | 33,077,168                                 | 33,077,168                                 |  |
| Cost of services                       | 66,666                            | 113,692                           | 66,184                            |           |                  |           |           |           |             |  |  |  |  |  |
| Total Cost                             | 66,666                            | 808,413                           | 66,184                            | 286       | 0                | 0         | 0         | 0         | 286         | 6,064,147                                  | 25,359,162                                 | 33,077,168                                 | 33,077,168                                 |  |
| GROSS PROFIT                           | 245,257                           | 1,259,310                         | 96,242                            | (207)     | 0                | 0         | 0         | 0         | (207)       | 11,391,600                                 | 47,637,600                                 | 62,136,000                                 | 62,136,000                                 |  |
| Expenses                               |                                   |                                   |                                   |           |                  |           |           |           |             |  |  |  |  |  |
| General & Administration               | 2,053,264                         | 1,650,094                         | 1,482,286                         | 305,418   | 305,418          | 305,418   | 305,418   | 305,418   | 1,221,672   | 1,668,593                                  | 6,977,751                                  | 9,101,415                                  | 9,101,415                                  |  |
| Listing expense                        | 4,263,243                         | 0                                 | 0                                 | 0         | 0                | 0         | 0         | 0         | 0           |  |  |  |  |  |
| Bad debt expense                       | 0                                 | 37,845                            | 3,668                             | 0         | 0                | 0         | 0         | 0         | 0           |  |  |  |  |  |
| Loss in investment fair value          | 0                                 | 100,000                           | 0                                 |           |                  |           |           |           |             |  |  |  |  |  |
| Foreign exchange (gain)/loss           | 124,354                           | (620,992)                         | 514,654                           | 2,434     | 2,434            | 2,434     | 2,434     | 2,434     | 9,736       |  |  |  |  |  |
| Depreciation and amortization          | 656,714                           | 623,346                           | 663,313                           | 60,123    | 60,123           | 60,123    | 60,123    | 60,123    | 240,492     | 240,492                                    | 240,492                                    | 240,492                                    | 240,492                                    | 240,492                                    |
| Total Expenses                         | 7,097,575                         | 1,790,293                         | 2,663,921                         | 367,975   | 367,975          | 367,975   | 367,975   | 367,975   | 1,471,900   | 1,909,085                                  | 7,218,243                                  | 9,341,907                                  | 9,341,907                                  |  |
| OPERATING LOSS                         | (6,852,318)                       | (530,983)                         | (2,567,679)                       | (368,182) | (367,975)        | (367,975) | (367,975) | (367,975) | (1,472,107) | 9,482,515                                  | 40,419,357                                 | 52,794,093                                 | 52,794,093                                 |  |
| Finance costs                          |                                   |                                   |                                   |           |                  |           |           |           |             |  |  |  |  |  |
| Interest expenses on lease liabilities | 86,227                            | 5,723                             | 26,625                            | 8         |                  |           |           |           |             |  |  |  |  |  |
| Interest expense on loans              | 0                                 | 24,431                            | 49,999                            | 13016     | 13,016           | 13,016    | 13,016    | 250,000   | 289,048     | 1,500,000                                  | 2,875,000                                  | 3,750,000                                  | 3,750,000                                  |  |
| Interest expense on debentures         | 0                                 | 1,529,230                         | 428,122                           | 0         |                  |           |           |           |             |  |  |  |  |  |
| Total finance cost                     | 86,227                            | 1,559,384                         | 504,746                           | 13,024    | 13,016           | 13,016    | 13,016    | 250,000   | 289,048     | 1,500,000                                  | 2,875,000                                  | 3,750,000                                  | 3,750,000                                  |  |
| Other Income/Expense                   |                                   |                                   |                                   |           |                  |           |           |           |             |  |  |  |  |  |
| Other Income                           | 180,223                           | 142,112                           | 120,000                           | 469       |                  |           |           |           | 469         |  |  |  |  |  |
| FV adjustment on debentures            | (3,823,747)                       | (1,059,702)                       | (134,233)                         |           |                  |           |           |           |             |  |  |  |  |  |
| FV adjustment on debt                  | 0                                 | 62,675                            | 0                                 |           |                  |           |           |           |             |  |  |  |  |  |
| Total Other Income/Expenses            | (3,643,524)                       | (854,915)                         | (14,233)                          | 469       | 0                | 0         | 0         | 0         | 469         | 0  | 469  | 469  | 938  |  |
| Income before Tax                      | (10,582,069)                      | (2,945,282)                       | (3,086,658)                       | (380,737) | (380,991)        | (380,991) | (380,991) | (617,975) | (1,760,686) | 7,982,515                                  | 37,544,826                                 | 49,044,562                                 | 49,045,031                                 |  |
| Cash-flow                              |                                   |                                   |                                   |           |                  |           |           |           |             |  |  |  |  |  |
| Depreciation PPE                       | 184,598                           | 177,219                           | 167,104                           | 22,281    | 22,281           | 22,281    | 250,000   |           | 316,843     | 937,500                                    | 2,875,000                                  | 3,750,000                                  | 3,750,000                                  |  |
| Amortization Intangibles               | 228,000                           | 200,000                           | 220,123                           | 37,089    | 37,089           | 37,089    | 37,089    |           | 148,356     | 148,356                                    | 148,356                                    | 148,356                                    | 148,356                                    |  |
| Amortization right of use              | 244,116                           | 246,127                           | 276,086                           | 753       | 753              | 753       | 753       |           | 3,012       | 3,012                                      | 3,012                                      | 3,012                                      | 3,012                                      |  |
| Interest on lease                      | 86,227                            | 5,723                             | 26,625                            | 8         | 8                | 8         | 8         |           | 32          | 32   | 32   | 32   | 32   |  |
| Subtotal                               | 742,941                           | 629,069                           | 669,938                           | 60,131    | 60,131           | 60,131    | 287,850   | 0         | 468,243     | 1,088,900                                  | 3,026,400                                  | 3,901,400                                  | 3,901,400                                  |  |
| EBITDA                                 | (9,839,128)                       | (2,316,213)                       | (2,396,720)                       | (320,606) | (320,860)        | (320,860) | (330,125) |           | (1,292,443) | 9,071,415                                  | 40,571,226                                 | 52,945,962                                 | 52,946,431                                 |  |



Unaudited pro forma consolidated statement Net Present Value (NPV) position as of December 31, 2028

| TheraCann NPV calculations |                 |
|----------------------------|-----------------|
| Year ended                 | NPV             |
| 2021                       | (9,839,128)     |
| 2022                       | (2,316,213)     |
| 2023                       | (2,396,720)     |
| 2024                       | (1,292,443)     |
| 2025                       | 9,071,415       |
| 2026                       | 40,571,226      |
| 2027                       | 52,945,962      |
| 2028                       | 52,946,431      |
| NPV @ Jan 2029             | \$83,128,551.39 |

## **1. Basis of preparation**

The Unaudited Pro Forma Consolidated Financial Information has been established in compliance with IFRS. The Unaudited Pro Forma Consolidated Financial Information has been prepared in millions of united states dollars (USD) and gives effect to the Consolidation as if it had occurred on August 30, 2024 for the purposes of the unaudited pro forma consolidated statements of income for the year ended December 31, 2018.

Only pro forma adjustments that are factually supportable and that can be estimated reliably at the date the Unaudited Pro Forma Consolidated Financial Information is prepared have been taken into account. Therefore the Unaudited Pro Forma Consolidated Financial Information does not reflect any restructuring or integration expenses that may be incurred in connection with the Consolidation and does not reflect any special items such as payments pursuant to contractual change-of-control provisions, except share-based payment awards. The Unaudited Pro Forma Consolidated Financial Information also does not reflect any cost savings potentially realizable from the elimination of certain expenses or from synergies that may be achieved once the Consolidation is complete. The Unaudited Pro Forma Consolidated Financial

Information does not reflect any tax effect or saving that would result from the integration of Sprout into the tax consolidation structure of TheraCann.

Subsequent to the effective date of the Consolidation, any transaction occurring between the TheraCann and Sprout will be considered as intercompany transactions and eliminated. Balances and transactions between TheraCann and Sprout as of and for the periods presented are not significant and therefore no eliminations have been made in the Unaudited Pro Forma Consolidated Financial Information.

## **2. Historical financial information**

The Unaudited Pro Forma Consolidated Financial Information has been derived from and should be read in conjunction with the following documents:

- ✓ the audited consolidated financial statements of TheraCann as of and for the years ending December 31, 2022, and December 31, 2023, prepared in accordance with IFRS as adopted by the EU;
- ✓ the unaudited consolidated interim financial statements of TheraCann as of and for the three months ended March 31, 2024, which have been reviewed by TheraCann's independent auditors in accordance with International Standard on Review Engagements (ISRE) 2410 Review of interim financial information performed by the independent auditors of the entity.

## **3. Consolidation Costs**

The total estimated costs related to the Acquisition amount to \$73,600, before tax, and mainly include banking, legal, consulting and notary fees, as well as the cost of Canadian Security Exchange (CSE) fee's associated with the amalgamation and listing changes.

**SCHEDULE "F"**

**AMALGAMATION AGREEMENT**

*[See attached]*

## AMALGAMATION AGREEMENT

THIS AGREEMENT is made effective as of the 29 day of May, 2023.

AMONG:

**SPROUT AI INC.**, a corporation existing under the laws of the Province of British Columbia

("Sprout")

AND:

**Sprout AI S.A.**, a corporation existing under the laws of the Republic of Panama

("Subco")

AND:

**THERACANN INTERNATIONAL BENCHMARK CORPORATION**, a corporation existing under the laws of the Republic of Panama

("TheraCann")

WHEREAS:

- A. Sprout was incorporated pursuant to the *Business Corporations Act (British Columbia)* (the "**BCBCA**") on August 25, 2020;
- B. Sprout is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario and the Sprout Shares (as defined herein) are listed on the Canadian Securities Exchange (the "**CSE**");
- C. Subco was incorporated pursuant to the Law 32 of 1927 on Corporations of the Republic of Panama (the "**Law 32 Panama**") on November 19, 2018, and is a wholly-owned subsidiary of Sprout;
- D. TheraCann was incorporated pursuant to the Law 32 Panama on April 28, 2017;
- E. TheraCann is a privately held company committed to providing high technology solutions and infrastructure for highly regulated industrial supply chains;
- F. Sprout and TheraCann wish to combine their respective businesses by way of a non-arm's length "three-cornered" amalgamation in which Subco will amalgamate with TheraCann (the "**Amalgamation**") to form one corporation ("**Amalco**") under Law 32 Panama, Section 8 (Merger with other Corporations) Articles 71-79, pursuant to which, among other things:
  - (i) each Subco Share (as defined herein) will be exchanged for one Amalco Share (as defined herein);

- (ii) Sprout will issue securities of Sprout to the security holders of TheraCann in exchange for their securities of TheraCann; and
  - (iii) Amalco will become a wholly-owned subsidiary of Sprout,
- all in the manner contemplated herein and pursuant to the terms and conditions hereof; and

G. the Transaction (as defined herein) will constitute a "fundamental change" of Sprout (as defined in policies of the CSE and a Related Party Transaction (as defined in Multilateral Instrument 61-101 –*Protection of Minority Security Holders in Special Transactions* "MI 61-101").

THEREFORE this Agreement witness that in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

## Article 1 INTERPRETATION AND CONSTRUCTION

### 1.1 Defined Terms

In this Agreement, unless there is something in the context or subject matter inconsistent therewith, the following words and terms will have the indicated meanings and grammatical variations of such words and terms will have corresponding meanings:

- (a) "**Advisors**" when used with respect to any person, will mean such person's directors, officers, employees, representatives, agents, counsel, accountants, advisers, engineers, and consultants;
- (b) "**Agreement**" means this Amalgamation Agreement and any supplementary or ancillary agreement, instrument or document hereto, all as may be amended from time to time;
- (c) "**Amalco Shares**" means common shares in the capital of Amalco;
- (d) "**Amalco**" has the meaning set out in the recitals hereof;
- (e) "**Amalgamating Companies**" means Subco and TheraCann;
- (f) "**Amalgamation Resolution**" means the special resolution passed by the TheraCann Shareholders by way of a majority vote of shareholders provided in written consent, approving the Amalgamation and adopting this Amalgamation Agreement pursuant to Law 32 Panama, Section 8 (Merger with other Corporations) Articles 40-43, and Articles 71-79, and the Articles of Incorporation of TheraCann;
- (g) "**Amalgamation**" has the meaning set out in the recitals hereof;
- (h) "**BCBCA**" has the meaning set out in the recitals hereof;

- (i) "**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in the Province of British Columbia;
- (j) "**Canadian Securities Laws**" means the *Securities Act* (British Columbia) (or equivalent legislation) in each of the Provinces of Canada and the respective regulations under such legislation together with applicable published rules, regulations, policy statements, national instruments and memoranda of understanding of the Canadian Provincial Securities Administrators and the securities regulatory authorities in such Provinces.
- (k) "**Certificate of Amalgamation**" means the certificate of the Secretary of the Company that is executed pursuant to Article 74 of Law 32 Panama to evidence the Amalgamation;
- (l) "**Closing**" means the completion of the Transaction;
- (m) "**Consolidation**" means the consolidation of the Sprout Shares on the basis of one new Sprout Share for every 3.3333 Sprout Shares held by a Sprout Shareholder;
- (n) "**DGI**" means the National Revenue Office (Panama), as amended and all regulations thereunder;
- (o) "**Effective Date**" means the date of the Amalgamation, as set out on the **Certificate of Amalgamation**;
- (p) "**Effective Time**" means the time on the Effective Date that the Amalgamation becomes effective;
- (q) "**Exchange Ratio**" means 5.296 post-Consolidation Sprout Shares issuable for each one TheraCann Share, which TheraCann Shareholders will be entitled to receive in connection with the Amalgamation;
- (r) "**Exchange**" or "**CSE**" means the Canadian Securities Exchange;
- (s) "**Fundamental Change Resolution**" means the ordinary resolution of the Sprout Minority Shareholders to be passed at the Sprout Meeting approving the Amalgamation and such other matters (if any) required under Canadian Securities Laws, the policies of the Exchange and applicable corporate laws in connection the approval of the Transaction contemplated hereunder;
- (t) "**Governmental Authority**" means any domestic or foreign government whether federal, provincial, state or municipal and any branch or department thereof or any governmental agency, governmental department, governmental tribunal or governmental commission of any kind whatsoever;
- (u) "**IFRS**" means the International Financial Reporting Standards;
- (v) "**ITA**" means the *Income Tax Act* (Canada), as amended and all regulations thereunder;

- (w) "**Liquidity Event**" means (i) the listing of the Common Shares on a Recognized Exchange, (ii) the sale of all or substantially all of the issued and outstanding Common Shares or all or substantially of the assets of the Company for cash proceeds or for securities provided that such securities are listed and posted for trading on a Recognized Exchange; or (iii) the amalgamation, merger, arrangement, reverse takeover or any other corporate transaction involving the Company with or into another entity pursuant to which the common shares of the resulting issuer from such transaction are listed on a Recognized Exchange;
- (x) "**Listing Statement**" means the listing statement of Sprout to be prepared in accordance with the requirements of the Exchange and filed with the Exchange in connection with the Amalgamation and the listing of the post-Consolidation Sprout Shares, substantially in the form of the Sprout Circular;
- (y) "**Material Adverse Change**" means a change in the business, operations or capital of Sprout, Subco or TheraCann that would reasonably be expected to have a significant adverse effect on the market price or value of a security of that company, including adverse changes of material fact, or any other event or development that could reasonably have a significant adverse impact on that company's affairs, operations or financial results;
- (z) "**MI 61-101**" has the meanings ascribed thereto in the recitals of this Agreement;
- (aa) "**Name Change**" means the change of Sprout's name to "TheraCann International Benchmark Corporation" or such other name as determined by TheraCann and acceptable to the Exchange;
- (bb) "**Recognized Exchange**" means an exchange recognized by the Alberta Securities Commission as an exchange, self-regulatory organization or self regulatory body;
- (cc) "**Registrar**" means the Mercantile Registry of the Republic of Panama pursuant to Article 75 of Law 32 Panama;
- (dd) "**Sprout Board**" means the board of directors of Sprout;
- (ee) "**Sprout Circular**" means the management information circular of Sprout to be provided to the Sprout Shareholders in respect of the Fundamental Change Resolution, and the other matters (if any) to be considered at the Sprout Meeting;
- (ff) "**Sprout Meeting**" means a special meeting of the Sprout Shareholders to be held to approve, inter alia, the Fundamental Change Resolution, and such other matters as the parties may determine, and any and all adjournments or postponements of such meeting;
- (gg) "**Sprout Minority Shareholders**" means, in the case of the Fundamental Change Resolution, the Sprout Shareholders less those excluded pursuant to MI 61-101 regarding the obtaining of "minority approval" as defined in MI 61-101;

- (hh) **"Sprout Option Plan"** means the stock option plan of Sprout, approved by the Sprout Shareholders on November 18, 2022;
- (ii) **"Sprout Options"** means incentive stock options of Sprout issuable pursuant to the Sprout Option Plan;
- (jj) **"Sprout Performance Warrants"** means performance based share purchase warrants of Sprout, each exercisable into one Sprout Share at an exercise price of \$0.17 for a period of three years from the date of issuance;
- (kk) **"Sprout RSU Plan"** means the restricted share unit plan of Sprout, approved by the Sprout Shareholders on November 18, 2022;
- (ll) **"Sprout RSUs"** means restricted share units of Sprout issuable pursuant to the Sprout RSU Plan;
- (mm) **"Sprout Shareholders"** means the holders of the Sprout Shares;
- (nn) **"Sprout Shares"** means common shares in the capital of Sprout, as presently constituted;
- (oo) **"Sprout Subco Amalgamation Resolution"** means the resolution of Sprout, as the sole shareholder of Subco, approving the Amalgamation and adopting the Amalgamation Agreement;
- (pp) **"Sprout"** means Sprout AI Inc., a corporation incorporated under the laws of British Columbia;
- (qq) **"Subco Exchange Ratio"** means one (1) post-Consolidation Sprout Share issuable for every 90,964,806 Subco Shares outstanding, which holders of Subco will be entitled to receive in connection with the Amalgamation;
- (rr) **"Subco Shareholder"** means Sprout, the holder of all of the issued and outstanding Subco Shares;
- (ss) **"Subco Shares"** means Common A Voting shares in the capital of Subco;
- (tt) **"Subco"** means Sprout AI S.A. , a corporation incorporated under the laws of the Republic of Panama;
- (uu) **"TheraCann Board"** means the board of directors of TheraCann;
- (vv) **"TheraCann Consideration Warrants"** means the common share purchase warrants of TheraCann to be issued to certain holders of TheraCann Debentures as consideration to complete the TheraCann Debenture Amendments, with each TheraCann Sweetener Warrant being exercisable to acquire one TheraCann Share at an exercise price of \$1.32 per TheraCann Share until the date that is 18 months from the date of a Liquidity Event;



- (ww) **"TheraCann Debenture Amendments"** means certain amendments to the TheraCann Debentures be completed prior to the Effective Time;
- (xx) **"TheraCann Debentures"** means convertible debentures of TheraCann having an aggregate principal value of \$6,644,000 with accrued interest of \$2,387,569;
- (yy) **"TheraCann Financial Statements"** means all financial statements of TheraCann, both audited and unaudited as applicable, for the periods required pursuant to applicable regulatory policies for inclusion in any disclosure document or other filing to any applicable regulatory authorities, and includes, but is not limited to, the audited financial statements of TheraCann for the years ended December 31, 2022 and 2021 and the unaudited financial statements for the three month period ended March 31, 2023;
- (zz) **"TheraCann Private Placement"** means the private placement of TheraCann Shares, at a price of USD\$3.50 per TheraCann Share to be completed in one or more tranches prior to Closing;
- (aaa) **"TheraCann Shareholders"** means the holders of the TheraCann Shares;
- (bbb) **"TheraCann Shares"** means the common shares in the capital of TheraCann;
- (ccc) **"TheraCann Warrant Amendments"** means certain amendments to certain of the TheraCann Warrants be completed prior to the Effective Time;
- (ddd) **"TheraCann Warrants"** means the common share purchase warrants of TheraCann exercisable in to TheraCann Shares until either July 31, 2023 or from and after the date of a Liquidity Event for a period of 18 months from the date of the Liquidity Event;
- (eee) **"TheraCann"** means TheraCann International Benchmark Corporation, a corporation existing under the laws of the Republic of Panama; and
- (fff) **"Transaction"** means the Amalgamation, and all related transactions and corporate proceedings contemplated in this Agreement.

## 1.2 Construction

In this Agreement, unless there is something in the context or subject matter inconsistent therewith:

- (a) the terms "this Agreement", "herein", "hereof" and "hereunder" and similar expressions refer to this Agreement and any supplementary or ancillary agreement, instrument or document hereto, all as may be amended from time to time, and not to any particular article, section or other portion of this Agreement;
- (b) any reference to a currency will refer to Canadian currency unless otherwise specifically referenced;
- (c) words importing the singular will include the plural, and vice versa; words importing gender will include the opposite gender; words importing natural persons will include

corporations, partnerships, trusts and other legal entities, and vice versa; and words importing a particular form of legal entity will include all other forms of legal entities interchangeably; and

- (d) the division of this Agreement into Articles, sections, subsections, paragraphs and other subdivisions, and the use of headings, are for ease of reference only and will not affect the interpretation or construction hereof.

### **1.3 Date for Any Action**

If the date on which any action is required to be taken hereunder is not a Business Day in the place where an action is required to be taken, such action will be required to be taken on the next succeeding day that is a Business Day in such place.

### **1.4 Appendices**

The following appendices are hereby incorporated in and form part of this Agreement:

- (a) Appendix A – Articles of Incorporation of Amalco
- (b) Appendix B – Issued and Outstanding Securities (and obligations to issue securities) of Sprout, Subco and TheraCann

## **Article 2 THE AMALGAMATION**

### **2.1 Statement of General Intent**

This Agreement and the Amalgamation are intended, subject to the terms and conditions hereof, to result in the formation of Amalco; the issuance of post-Consolidation Sprout Shares to the TheraCann Shareholders in exchange for their TheraCann Shares outstanding at the Effective Time subject to the Exchange Ratio; the issuance of post-Consolidation Sprout Shares to Subco Shareholders in exchange for such Subco Shares outstanding at the Effective Time subject to the Subco Exchange Ratio; and Amalco becoming a wholly-owned subsidiary of Sprout. To this end, each of Sprout and TheraCann agrees to act in good faith and use all commercially reasonable efforts to take and do, or cause to be taken and done, all acts and other things necessary, proper or advisable to obtain all necessary approvals to complete the Amalgamation in accordance with the terms and conditions hereof and applicable laws, and to cooperate with each other in connection therewith.

### **2.2 Structure of Amalgamation**

Upon and subject to the terms and conditions hereof, the Amalgamating Companies hereby agree to effect the Amalgamation under Law 32 Panama, Section 8 (Merger with other Corporation) and to continue as one corporation subsequent to the Amalgamation on the terms and conditions prescribed herein. At or immediately prior to the Effective Time:

- (a) all of the outstanding TheraCann Debentures will convert in to TheraCann Shares immediately prior to the Effective Time, in accordance with their terms, as amended;

- (b) following the conversion of the TheraCann Debentures into TheraCann Shares, all of the Sprout Shares then held by TheraCann will be distributed to the TheraCann Shareholders, on a *pro rata* basis, immediately prior to the Effective Time;
- (c) in accordance with the requirements of the BCBCA and the Articles of Sprout and satisfaction of the conditions precedent contained in this Agreement, Sprout will complete and give effect to the Consolidation upon and subject to the terms of this Agreement;
- (d) following the approval of the Fundamental Change Resolution by the Sprout Minority Shareholders, the Sprout Subco Amalgamation Resolution by Sprout and the Amalgamation Resolution by the TheraCann Shareholders, the completion of the Consolidation set forth in paragraph 2.2(c) above and the satisfaction of the remaining conditions precedent contained in this Agreement, the Amalgamating Companies will be amalgamated under the Law 32 Panama, Section 8 (Merger with other Corporation) and will continue as one corporation subsequent to the Amalgamation on the terms and conditions prescribed in this Agreement, and in connection therewith:
  - (i) the Amalgamation of the Amalgamating Companies and their continuation as one company will become irrevocable;
  - (ii) this Amalgamation Agreement will be filed with, and certified by, the Registrar;
  - (iii) Amalco will have, as its Articles of Incorporation, the Articles of Incorporation attached hereto as Appendix "A";
  - (iv) Amalco will become capable immediately of exercising the functions of an incorporated company;
  - (v) the shareholders of Amalco will have the powers and liability provided in the Law 32 Panama;
  - (vi) each shareholder of each of the Amalgamating Companies is bound by this Agreement;
  - (vii) the property, rights and interests of each of the Amalgamating Companies will continue to be the property, rights and interests of Amalco;
  - (viii) Amalco will continue to be liable for the obligations of each of the Amalgamating Companies;
  - (ix) an existing cause of action, claim or liability to prosecution is unaffected;
  - (x) a legal proceeding being prosecuted or pending by or against either of the Amalgamating Companies may be prosecuted, or its prosecution may be continued, as the case may be, by or against Amalco; and
  - (xi) a conviction against, ruling, order or judgment in favour or against either of the Amalgamating Companies may be enforced by or against Amalco;

- (e) each TheraCann Share and each Subco Share issued and outstanding at the Effective Time will be exchanged for fully paid and non-assessable post-Consolidation Sprout Shares based on the Exchange Ratio and Subco Exchange Ratio, respectively, free and clear of any and all encumbrances, liens, charges, demands of any kind and nature, and thereafter all of the TheraCann Shares and Subco Shares will be cancelled without any repayment of capital in respect thereof;
- (f) in consideration of the issuance of post-Consolidation Sprout Shares pursuant to paragraph 2.2(e), Amalco will issue to Sprout one Amalco Share for each post-Consolidation Sprout Share issued;
- (g) Sprout will add to the stated capital maintained in respect of the Sprout Shares an amount equal to the aggregate paid-up capital for purposes of the ITA of the TheraCann Shares and Subco Shares immediately prior to the Amalgamation;
- (h) no fractional post-Consolidation Sprout Shares will be issued to holders of TheraCann Shares, or Subco Shares, as applicable; in lieu of any fractional entitlement, the number of post-Consolidation Sprout Shares issued to each former holder of TheraCann Shares and Subco Shares, will be rounded down to the next lesser whole number of post-Consolidation Sprout Shares; and
- (i) all outstanding TheraCann Warrants and other convertible securities of TheraCann will be adjusted in accordance with their terms such that, upon exercise or conversion, the holder will receive post-Consolidation Sprout Shares in lieu of TheraCann Shares, subject to the Exchange Ratio.

### **2.3 Certificates**

After the Effective Time, the registrar and transfer agent of Sprout, will forward or cause to be forwarded by first class mail (postage prepaid) to such former TheraCann Shareholders at the address specified in the central securities register maintained by TheraCann, DRS statements or share certificates issued by such transfer agent, evidencing the number of post-Consolidation Sprout Shares issued to such TheraCann Shareholder under the Amalgamation. After the Effective Date, all share certificates held by TheraCann Shareholders will be deemed null and void.

### **2.4 Initial Amalco Corporate Matters**

At the Effective Time, and thereafter subject to such change as may be properly effected under Law 32 Panama, Section 8 (Merger with other Corporation) and the Articles of Incorporation of Amalco, as the case may be:

- (a) **Name.** The name of Amalco will be "TheraCann International Benchmark Corp.", or such other name as Sprout and TheraCann will agree.
- (b) **Registered Office.** The registered and records office of Amalco will be C/O Dumoulin Black, 595 Howe St 10th Floor, Vancouver, BC V6C 2T5, Canada.

- (c) **First Director.** The first director of Amalco will be Chris Bolton, having an address at C/O TheraCann International, International Business Park Unit 5B, Building 3860 Panama Pacifico, Republic of Panama, 000000.
- (d) **First Officer.** The first officer at Amalco will be Chris Bolton, to be appointed as the Chief Executive Officer and Chairman of Amalco, having an address at C/O TheraCann International, International Business Park Unit 5B, Building 3860 Panama Pacifico, Republic of Panama, 000000.
- (e) **Authorized Capital.** The authorized capital of Amalco will consist of an unlimited number of common voting "A" shares without par value, with the rights and restrictions set out in the Articles of Incorporation of Amalco.
- (f) **Restrictions on Business.** There will be no restrictions on the business that Amalco may carry on.
- (g) **Restrictions on Share Transfer.** Unless and for so long as Amalco is not a public company, no Amalco Shares may be transferred without the written consent of the directors of Amalco, which consent may be withheld at their sole discretion and without reason therefor.
- (h) **Fiscal Year.** The fiscal year end of Amalco will be December 31.
- (i) **Auditor.** The auditor of Amalco will be Segal GCSC LLP, unless the appointment of an auditor is waived.
- (j) **Articles of Incorporation of Amalco.** A copy of the Articles of Incorporation of Amalco is attached hereto as Appendix "A".

## 2.5 **Sprout Corporate Matters on Closing**

Subject to the terms and conditions of this Agreement, at the Closing:

- (a) **Name.** Sprout will change its name to "TheraCann Beyond Farming Inc.", or such other name as determined by TheraCann and acceptable to the Exchange.
- (b) **Directors.** The parties agree that the Sprout Board will consist of:
  - (i) the current members, being: Chris Bolton (Chairman); Tom Andrews; Kevin McGeough; Toni Rinow; and
  - (ii) an additional director as mutually agreed upon by the parties.
- (c) **Officers.** The parties agree that the senior management of Sprout will consist of the current members of senior management being:
  - (i) Chris Bolton, Chief Executive Officer;
  - (ii) Carlos Zapata, Chief Operating Officer; and

- (iii) Dean Callaway, Chief Financial Officer.

**Article 3**  
**REPRESENTATIONS AND WARRANTIES**

**3.1 Representations and Warranties of Sprout and Subco**

Each of Sprout and Subco, jointly and severally represents and warrants to TheraCann that:

- (a) in the case of Sprout, it is incorporated or otherwise formed under the laws of British Columbia, is a valid and existing company, and, with respect to the filing of annual reports, is in good standing;
- (b) in the case of Subco, it is incorporated or otherwise formed under the laws of the Republic of Panama, is a valid and existing company, and, with respect to any taxes owing to the DGI, is in good standing;
- (c) no proceedings have been taken or authorized by Sprout or Subco in respect of the bankruptcy, reorganization, insolvency, liquidation, dissolution or winding up of Sprout or Subco, as applicable;
- (d) where applicable, it has all requisite corporate power and capacity to carry on its business as now conducted and to own, lease and operate its property and assets, and it is duly and appropriately registered, licensed and otherwise qualified to carry on its business and to own, lease and operate its property and assets and is in good standing in all material respects in each jurisdiction where it carries on business or owns, leases or operates its property or assets;
- (e) Sprout is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario and it is not in material default of any material requirement under the securities laws of said provinces;
- (f) its authorized and issued share capital is as set out set out in Appendix "B" hereto, and other than as set out in Appendix "B":
  - (i) there are no rights, privileges or agreements requiring it to repurchase, redeem, retract or otherwise acquire, whether directly or indirectly, any of its issued shares or other securities; and
  - (ii) there are no options, warrants, rights, privileges or agreements requiring it to sell, or otherwise issue (by exercise, conversion, exchange or otherwise), whether directly or indirectly, any of its unissued shares;

and such information contained in Appendix "B" hereto will remain accurate and complete in all material respects at the Closing unless otherwise agreed by the parties, subject to the issuance and reservation for issuance of post-Consolidation Sprout Shares pursuant to the Amalgamation, the issuance of up to 3,715,913 Sprout RSUs pursuant to the Sprout RSU Plan and the issuance of up to 5,184,994 Sprout Options pursuant to the Sprout Option Plan;

- (g) Sprout has no subsidiaries other than Subco, Subco has no subsidiaries, and Subco has no assets or active business operations;
- (h) it has all requisite corporate power and capacity and has taken all necessary corporate action to authorize it to execute and deliver this Agreement and perform its obligations hereunder, and this Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding obligation enforceable against it in accordance with this Agreement's terms, except as may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar laws of general application affecting the enforceability of remedies and rights of creditors and except that equitable remedies such as specific performance and injunction are in the discretion of a court;
- (i) its execution and delivery of this Agreement and its performance of its obligations hereunder does not and will not result in the breach of, constitute a default under or conflict with:
  - (i) any provision of its constituting documents;
  - (ii) any resolutions of its shareholders or directors;
  - (iii) any statute, rule or regulation applicable to it or its property;
  - (iv) any order, decree or judgment of a court or regulatory authority or body having jurisdiction over it or its property;
  - (v) any mortgage, indenture, agreement or other commitment to which it is a party or it or its property is bound; or
  - (vi) any agreement which would permit any party to that agreement to terminate such agreement or accelerate the maturity of any indebtedness of Sprout or Subco, or that would result in the creation or imposition of any encumbrance of the Sprout Shares, the Subco Shares or the assets of Sprout;
- (j) there are no claims, actions, suits or proceedings (judicial, administrative or otherwise) commenced, pending or threatened against it, or any of its subsidiaries, as applicable, nor to its knowledge is any of the foregoing contemplated nor to its knowledge is there any basis therefor;
- (k) all consents, approvals, permits, authorizations or filings as may be required for the execution and delivery of this Agreement have been obtained;
- (l) it has complied with and is in compliance, in all material respects, with all applicable laws, and has all material licences, permits, orders or approvals of, and has made all required registrations with, any governmental or regulatory body that are material to the conduct of its business;
- (m) the Sprout Shares are currently listed for trading on the Exchange. No securities commission or other authority of any government or self-regulatory organization, including without limitation the Exchange, has issued any order preventing the

Amalgamation or the trading of any securities of Sprout and, to the best of Sprout's knowledge, no proceedings for such purpose are pending or threatened;

- (n) as of their respective dates, all information and materials filed by Sprout through the SEDAR website (including all exhibits and schedules thereto and documents incorporated by reference therein) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and complied in all material respects with all applicable legal and stock exchange requirements;
- (o) there is no "material fact" or "material change" (as those terms are defined under applicable securities Laws) in the affairs of Sprout that has not been generally disclosed to the public;
- (p) Endeavor Trust Corporation has been duly appointed as the registrar and transfer agent of Sprout;
- (q) the minute books and corporate records of Sprout are maintained substantially in accordance with all applicable laws and are complete and accurate in all material respects. The financial books and records and accounts of Sprout in all material respects (i) have been maintained in accordance with good business practices on a basis consistent with prior years, (ii) are stated in reasonable detail and accurately and fairly reflect the transactions and acquisitions and dispositions of assets of Sprout, and (iii) accurately and fairly reflect the basis for the financial statements of Sprout;
- (r) the financial statements of Sprout have been prepared in accordance with IFRS, present fairly, in all material respects, the financial position and all material liabilities (accrued, absolute, contingent or otherwise) of Sprout as of the date thereof, and there have been no adverse material changes in the financial position of Sprout since the date thereof and the business of Sprout has been carried on in the usual and ordinary course consistent with past practice since the date thereof;
- (s) Sprout has filed all tax returns, reports and other tax filings, and has paid, deducted, withheld or collected and remitted on a timely basis all amounts to be paid, deducted, withheld or collected and remitted with respect to any taxes, interest and penalties as required under all applicable tax laws. There are no assessments, reassessments, actions, suits or proceedings, in progress, pending, or threatened, against Sprout, and no waivers have been granted by Sprout in connection with any taxes, interest or penalties. The provisions for taxes reflected in the Sprout financial statements are sufficient for the payment of all accrued and unpaid taxes, interest and penalties for all periods and all transactions up to the end of the most recent financial period addressed in the Sprout financial statements;
- (t) all agreements with directors and officers of Sprout have been provided to TheraCann for review, and as of the date hereof, no director or officer is indebted to Sprout. Neither Sprout nor an affiliate of Sprout is party to any material agreement with any insider of Sprout (or an affiliate of Sprout) or other non-arm's length party to Sprout (or



any affiliate of Sprout), other than agreements with current directors and officers of Sprout that have previously been provided to TheraCann;

- (u) Sprout has not made, nor is it considering making, an assignment for the benefit of its creditors, and has not requested, nor is it considering requesting, a meeting of its creditors to seek a reduction, compromise, composition or other accommodation with respect to its indebtedness;
- (v) neither Sprout nor Subco, is bound by any agreement, guarantee, indemnification (other than to officers and directors pursuant to Sprout's Notice of Articles, Articles or other constating documents or any of its subsidiaries' articles or other constating documents and standard indemnity agreements), or endorsement or like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any person;
- (w) since the date of its most recent financial statements filed on [www.sedar.com](http://www.sedar.com), there has not been:
  - (i) any change in the financial condition, operations, results of operations, or business of Sprout, nor has there been any occurrence or circumstances which, to the knowledge of Sprout, with the passage of time might reasonably be expected to have a material adverse effect on the business or operations of Sprout; or
  - (ii) any loss, labour trouble, or other event, development or condition of any character (whether or not covered by insurance) suffered by which, to the knowledge of Sprout, has had, or may reasonably be expected to have, a material adverse effect on the business or operations of Sprout;
- (x) except to the extent reflected or reserved in the most recent Sprout annual financial statements, or incurred subsequent to December 31, 2022 and incurred in the ordinary course of Sprout's business, Sprout does not have any outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise, including under any guarantee of any debt);
- (y) there are no material liabilities of Sprout of any kind whatsoever, whether or not accrued and whether or not determined or determinable, in respect of which Sprout may become liable on or after the consummation of the transactions contemplated hereby other than:
  - (i) liabilities that will be disclosed on or reflected or provided for in the most recent financial statements of Sprout; and
  - (ii) liabilities incurred in the ordinary and usual course of business of Sprout or as have been disclosed to TheraCann, none of which has had or may reasonably be expected to result in a Material Adverse Change on Sprout; and
- (z) Sprout does not own any property or assets other than cash, cash equivalents or as otherwise disclosed in its financial statements. Other than as disclosed in its financial

statements, Sprout does not lease any property or premises and is not required to make any payments in connection with its use or occupation of any property or premises.

### **3.2 Representations and Warranties of TheraCann**

TheraCann represents and warrants to each of Sprout and Subco that:

- (a) it exists under the laws of the Republic of Panama, is a valid and existing company and with respect to any taxes owing to the DGI, is in good standing, and no proceedings have been taken or authorized by TheraCann in respect of the bankruptcy, reorganization, insolvency, liquidation, dissolution or winding up of TheraCann;
- (b) it has all requisite corporate power and capacity to carry on its business as now conducted and to own, lease and operate its property and assets, and it is duly and appropriately registered, licensed and otherwise qualified to carry on its business and to own, lease and operate its property and assets and is in good standing in each jurisdiction where it carries on business or owns, leases or operates its property or assets;
- (c) all consents, approvals, permits, authorizations or filings as may be required for the execution and delivery of this Agreement have been obtained;
- (d) it has complied with and is in compliance, in all material respects, with all applicable laws, and has all material licences, permits, orders or approvals of, and has made all required registrations with, any governmental or regulatory body that are material to the conduct of its business;
- (e) its authorized and issued share capital is as set out set out in Appendix "B" hereto, and other than as disclosed herein:
  - (i) there are no rights, privileges or agreements requiring it to repurchase, redeem, retract or otherwise acquire, whether directly or indirectly, any of its issued shares or other securities; and
  - (ii) there are no options, warrants, rights, privileges or agreements requiring it to sell, or otherwise issue (by exercise, conversion, exchange or otherwise), whether directly or indirectly, any of its unissued shares;

and other than TheraCann Shares issued in connection with the TheraCann Private Placement, TheraCann Consideration Warrants issued in connection with the TheraCann Debenture Amendments and amendments to certain of the TheraCann Warrants pursuant to the TheraCann Warrant Amendments, such information contained in Appendix "B" hereto will remain accurate and complete in all material respects at the Closing, unless otherwise agreed by the parties;

- (f) it has all requisite corporate power and capacity and has taken all necessary corporate action to authorize it to execute and deliver this Agreement and perform its obligations hereunder, and this Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding obligation enforceable against it in accordance

with this Agreement's terms except as may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar laws of general application affecting the enforceability of remedies and rights of creditors and except that equitable remedies such as specific performance and injunction are in the discretion of a court;

- (g) its execution and delivery of this Agreement and its performance of its obligations hereunder does not and will not result in the breach of, constitute a default under or conflict with:
  - (i) any provision of its constituting documents;
  - (ii) any resolutions of its shareholders or directors;
  - (iii) any statute, rule or regulation applicable to it or its property;
  - (iv) any order, decree or judgment of a court or regulatory authority or body having jurisdiction over it or its property;
  - (v) any mortgage, indenture, agreement or other commitment to which it is a party or it or its property is bound; or
  - (vi) any agreement which would permit any party to that agreement to terminate such agreement or accelerate the maturity of any indebtedness of TheraCann, or that would result in the creation or imposition of any encumbrance of the TheraCann Shares or the assets of TheraCann;
- (h) TheraCann has the following six wholly-owned subsidiaries: (i) TheraCann Canada Benchmark Corporation, a corporation incorporated under the laws of the Province of Alberta; (ii) TheraCann Canada Inc., a corporation incorporated under the laws of the Province of Alberta; (iii) TheraCann Australia Benchmark Pty Ltd., a corporation incorporated under the laws of Australia; (iv) TheraCann Africa Benchmark Pty Ltd., a corporation incorporated under the laws of South Africa; (v) ETCH BioTrace S.A., a corporation incorporated under Law 32 of the laws of Panama; and (vi) One System One Solution S.A., a corporation incorporated under Law 32 of the laws of Panama; and TheraCann owns 53% of the issued and outstanding voting shares of Sprout A.I. Inc., a corporation incorporated under the laws of Canada;
- (i) all TheraCann Shares are issued as fully paid and non-assessable securities of TheraCann and are free and clear of any and all encumbrances, liens, charges, demands of any kind and nature;
- (j) to the knowledge of TheraCann, other than as has been disclosed in writing directly to Sprout, there are no claims, actions, suits or proceedings (judicial, administrative or otherwise) commenced, pending or threatened against it, nor to its knowledge is any of the foregoing contemplated nor to its knowledge is there any basis therefor;
- (k) it is not a reporting issuer or equivalent in any jurisdiction and has not contravened any applicable securities laws of any jurisdiction, including without limitation in relation to the issuing of its seed shares, founders shares or any other shares or other securities;

- (l) to the knowledge of TheraCann, other than as has been disclosed in writing directly to Sprout, TheraCann is in good standing with respect to all of its obligations owing pursuant to all its material contracts, and each of such material contracts is a legal, valid and binding obligation of TheraCann;
- (m) to the knowledge of TheraCann, other than as has been disclosed in writing directly to Sprout, all activities of TheraCann are in material compliance with and are in good standing under all applicable laws, rules, regulations and regulatory orders and prohibitions and there have been no violations thereof nor any basis for a claim or determination thereof, and there are no current, pending or threatened order, prohibition or other directive relating to any such matters nor to TheraCann's knowledge any basis for such order, prohibition or other directive;
- (n) to the knowledge of TheraCann, other than as has been disclosed in writing directly to Sprout, there are no agreements, arrangements, commitments, understandings, judgments, orders, warrants, writs, injunctions or decrees binding upon TheraCann that has or could have the effect of prohibiting or materially restricting or impairing any business practice of TheraCann, any acquisition of property or assets by TheraCann or the conduct of business by TheraCann;
- (o) other than as disclosed to Sprout, the minute books and corporate records of TheraCann are maintained substantially in accordance with all applicable laws and are complete and accurate in all material respects. The financial books and records and accounts of TheraCann in all material respects (i) have been maintained in accordance with good business practices on a basis consistent with prior years, (ii) are stated in reasonable detail and accurately and fairly reflect the transactions and acquisitions and dispositions of assets of TheraCann, and (iii) accurately and fairly reflect the basis for the TheraCann Financial Statements;
- (p) the TheraCann Financial Statements have been prepared in accordance with IFRS, present fairly, in all material respects, the financial position and all material liabilities (accrued, absolute, contingent or otherwise) of TheraCann as of the date thereof, and there have been no adverse material changes in the financial position of TheraCann since the date thereof and the business of TheraCann has been carried on in the usual and ordinary course consistent with past practice since the date thereof;
- (q) TheraCann has filed all tax returns, reports and other tax filings, and has paid, deducted, withheld or collected and remitted on a timely basis all amounts to be paid, deducted, withheld or collected and remitted with respect to any taxes, interest and penalties as required under all applicable tax laws. There are no assessments, reassessments, actions, suits or proceedings, in progress, pending, or threatened, against TheraCann, and no waivers have been granted by TheraCann in connection with any taxes, interest or penalties. The provisions for taxes reflected in the TheraCann Financial Statements are sufficient for the payment of all accrued and unpaid taxes, interest and penalties for all periods and all transactions up to the end of the most recent financial period addressed in the TheraCann Financial Statements;

- (r) no director, officer, insider or other non-arm's length party of TheraCann (or any affiliate thereof) is a party to any material contract or transaction with, or is indebted to, TheraCann;
- (s) TheraCann has not made, nor is it considering making, an assignment for the benefit of its creditors, and has not requested, nor is it considering requesting, a meeting of its creditors to seek a reduction, compromise, composition or other accommodation with respect to its indebtedness;
- (t) there is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which TheraCann is a party or by which it is otherwise bound that would now or hereafter in any way may limit the business or operations of TheraCann in a particular manner or to a particular locality or geographic region or for a specified period of time and the execution, delivery and performance of this Agreement does not and will not result in any restriction of TheraCann from engaging in its business or from competing with any person or in any geographic area;
- (u) TheraCann is not bound by any agreement, guarantee, indemnification (other than to officers and directors pursuant to TheraCann's articles and standard indemnity agreements), or endorsement or like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any Person;
- (v) there are no accrued bonuses payable to any officers, directors, employees or consultants of TheraCann;
- (w) since the date of the most recent financial statements of TheraCann provided to Sprout, there has not been:
  - (i) any change in the financial condition, operations, results of operations, or business of TheraCann, nor has there been any occurrence or circumstances which, to the knowledge of TheraCann, with the passage of time might reasonably be expected to have a material adverse effect on the business or operations of TheraCann; or
  - (ii) any loss, labour trouble, or other event, development or condition of any character (whether or not covered by insurance) suffered by which, to the knowledge of TheraCann, has had, or may reasonably be expected to have, a material adverse effect on the business or operations of TheraCann;
- (x) except to the extent reflected or reserved in the TheraCann Financial Statements, or incurred subsequent to December 31, 2022 and incurred in the ordinary course of TheraCann's business, TheraCann does not have any outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise, including under any guarantee of any debt);
- (y) there are no material liabilities of the TheraCann of any kind whatsoever, whether or not accrued and whether or not determined or determinable, in respect of which TheraCann may become liable on or after the consummation of the transactions contemplated hereby other than:

- (i) liabilities that will be disclosed on or reflected or provided for in the most recent financial statements of TheraCann; and
- (ii) liabilities incurred in the ordinary and usual course of business of TheraCann, none of which has had or may reasonably be expected to result in a Material Adverse Change on TheraCann.

#### Article 4 COVENANTS OF THERACANN

From and after the date hereof and until the Effective Date (except as hereinafter otherwise provided) or earlier termination of this Agreement, unless Sprout will otherwise consent in writing, which consent will not be unreasonably withheld, conditioned or delayed:

##### 4.1 Access

TheraCann will permit:

- (a) Sprout and its Advisors to have reasonable access at reasonable times to all properties, books, accounts, records, material contracts, files, correspondence, tax records, and documents of or relating to TheraCann including auditor's working papers and management letters, and to discuss such matters with the executive officers of TheraCann; TheraCann will make available to Sprout and its Advisors all information concerning its business and properties in its possession or under its control as Sprout may reasonably request; and
- (b) Sprout to conduct, or cause its Advisors or agents to conduct, such reasonable reviews, inspections, tests, and investigations of the assets of TheraCann as they deem necessary or advisable, provided such reviews are conducted at reasonable times and in a reasonable manner.

##### 4.2 Ordinary Course

TheraCann will conduct business only in the ordinary course consistent with past practice. Except as contemplated by this Agreement, the Amalgamation, the TheraCann Private Placement or as agreed to between the parties or as required by applicable laws, TheraCann will not:

- (a) Amend its Articles of Incorporation, except as contemplated by the Amalgamation and this Agreement;
- (b) subdivide, split, combine, consolidate, or reclassify any of its outstanding shares of capital stock;
- (c) issue or agree to issue any securities except: (i) pursuant to the exercise of currently outstanding options or other convertible securities, (ii) in connection with the TheraCann Debenture Amendments, or (iii) as otherwise provided for herein;
- (d) declare, set aside or pay any dividend or make any other distribution payable in cash, shares, stock, securities or property with respect to any of its shares of capital stock

other than consistent with past practice;

- (e) repurchase, redeem, or otherwise acquire, directly or indirectly, any of its capital stock or any securities convertible into or exchangeable or exercisable into any of its capital stock;
- (f) other than pursuant to obligations or rights under existing written contracts, agreements and commitments, sell, lease or otherwise dispose of any material property or assets or enter into any agreement or commitment in respect of any of the foregoing;
- (g) other than the TheraCann Debenture Amendments and the TheraCann Warrant Amendments, amend or propose to amend the rights, privileges and restrictions attaching to the TheraCann Shares or any of the terms of its stock options or common share purchase warrants as they exist at the date of this Agreement, or reduce its stated capital;
- (h) reorganize, amalgamate or merge with another Person;
- (i) acquire or agree to acquire any corporation or other entity (or material interest therein) or division of any corporation or other entity or material assets;
- (j) enter into any agreements outside of the ordinary course with its directors or officers or their respective affiliates; or
- (k) except as required by IFRS, or any applicable law, make any changes to the existing accounting practices of TheraCann or make any material tax election inconsistent with past practice.

#### **4.3 Exclusivity**

TheraCann will:

- (a) not, directly or indirectly, through any of its Advisors or otherwise, solicit or encourage offers from, initiate, participate in any negotiations or discussions with, enter into any agreements or understandings with, or furnish any information to any third party regarding or in anticipation of any acquisition, merger, arrangement, amalgamation, other business combination, joint venture or equity financing or similar transaction involving TheraCann or any subsidiary or affiliate, their respective common shares or any of their material assets in each case that would be reasonably likely to impede the Amalgamation (any such transactions being referred to as an "**Alternative Transaction**");
- (b) cease and cause any of its subsidiaries and Advisors or otherwise, to cease and terminate any existing activity, discussion or negotiation with any third party in respect of an Alternative Transaction;
- (c) terminate access that any third party has to TheraCann's data site, if any, or access to due diligence materials as of the date of this Agreement and request the return or destruction of any due diligence materials provided to any third parties immediately;

- (d) not release any person (other than Sprout) from any standstill covenants or obligations under any confidentiality and/or standstill agreement;
- (e) use its reasonable commercial efforts to complete the Transaction and to not take any action contrary to or in opposition to the Transaction, except as required by statutory law;
- (f) use its reasonable commercial efforts to obtain any third parties approvals required in respect of the Transaction; and
- (g) cooperate fully with Sprout and to use all reasonable commercial efforts to otherwise complete the Transaction, unless such cooperation and efforts would subject Sprout to liability or would be in breach of applicable statutory and regulatory requirements,

in each case, other than pursuant to any fiduciary obligations of its directors (including, without limitation, the fiduciary obligation to respond to any unsolicited inquiries received).

#### **4.4 Stock Exchange Approval**

TheraCann will use all commercially reasonable efforts to obtain the conditional approval of the Exchange to list the post-Consolidation Sprout Shares issuable to the TheraCann Shareholders and the holders of Subco Shares in connection with the Transaction. In this regard, the parties agree and acknowledge that TheraCann will take primary responsibility for obtaining the conditional approval of the Exchange.

#### **4.5 TheraCann Meeting, Sprout Circular and Listing Statement**

- (a) TheraCann will use all commercially reasonable efforts to assist Sprout in:
  - (i) preparing, as promptly as practicable after the date of this Agreement, the Sprout Circular, together with any other documents required under Canadian Securities Laws and applicable corporate laws in connection with the Sprout Meeting or listing of the post-Consolidation Sprout Shares issuable in connection with the Amalgamation on the Exchange; and
  - (ii) causing the Sprout Circular to be mailed to the Sprout Shareholders as required by Canadian Securities Laws.
- (b) TheraCann will use all commercially reasonable efforts to (i) cause the TheraCann Shareholders to pass the Amalgamation Resolution, and (ii) prepare as promptly as possible the Listing Statement and any other documents required by applicable legislation and/or regulation in connection with all shareholder and regulatory approvals required in respect of the Amalgamation and the other matters contemplated hereby, including but not limited to the extent applicable, the disclosure regarding TheraCann (including financial statements) prescribed under applicable Canadian Securities Laws and described in the form of prospectus that Sprout would be eligible to use, for inclusion in the Listing Statement, as the case may be.



**Article 5**  
**COVENANTS OF SPROUT**

From and after the date hereof and until the Effective Date (except as hereinafter otherwise provided) or earlier termination of this Agreement, unless TheraCann will otherwise consent in writing, which consent will not be unreasonably withheld, conditioned or delayed:

**5.1     Access**

Sprout will permit:

- (a) TheraCann and its Advisors to have reasonable access at reasonable times to all properties books, accounts, records, material contracts, files, correspondence, tax records, and documents of or relating to Sprout including auditor's working papers and management letters and to discuss such matters with the executive officers of Sprout; Sprout will make available to TheraCann and its Advisors a copy of each report or other document filed pursuant to Canadian Securities Laws and all other information concerning its business and properties in its possession or under its control as TheraCann may reasonably request; and
- (b) TheraCann to conduct, or cause its Advisors or agents to conduct, such reasonable reviews, inspections, tests, and investigations of the assets of Sprout as they deem necessary or advisable provided such reviews are conducted at reasonable times and in a reasonable manner.

**5.2     Ordinary Course**

Sprout will conduct business only in the ordinary course consistent with past practice. Except as contemplated by this Agreement, the Amalgamation, or as agreed to between the parties or as required by applicable laws, each of Sprout and Subco will not:

- (a) amend its: (i) Articles or Notice of Articles in the case of Sprout; and (ii) Articles of Incorporation in the case of Subco, in each case, except as contemplated by the Amalgamation and this Agreement;
- (b) subdivide, split, combine, consolidate, or reclassify any of its outstanding shares of capital stock;
- (c) issue or agree to issue any securities, except pursuant to the exercise of currently outstanding options and warrants;
- (d) declare, set aside or pay any dividend or make any other distribution payable in cash, shares, stock, securities or property with respect to any of its shares of capital stock other than consistent with past practice;
- (e) repurchase, redeem, or otherwise acquire, directly or indirectly, any of its capital stock or any securities convertible into or exchangeable or exercisable into any of its capital stock;

- (f) incur, guarantee, assume or modify any additional indebtedness for borrowed money in an aggregate amount in excess of \$30,000 in the ordinary course of business;
- (g) sell, lease or otherwise dispose of any material property or assets or enter into any agreement or commitment in respect of any of the foregoing, other than pursuant to obligations or rights under existing written contracts, agreements and commitments;
- (h) amend or propose to amend the rights, privileges and restrictions attaching to the Sprout Shares or any of the terms of its stock options or common share purchase warrants as they exist at the date of this Agreement, or reduce its stated capital;
- (i) except as contemplated by the Amalgamation and this Agreement, reorganize, amalgamate or merge with another Person;
- (j) except as contemplated by the Amalgamation and this Agreement, acquire or agree to acquire any corporation or other entity (or material interest therein) or division of any corporation or other entity or material assets;
- (k) enter into any agreements outside of the ordinary course with its directors or officers or their respective affiliates; or
- (l) except as required by IFRS, or any applicable law, make any changes to the existing accounting practices of Sprout or make any material tax election inconsistent with past practice.

### **5.3 Exclusivity**

Sprout will:

- (a) not, directly or indirectly, through any of its Advisors or otherwise, solicit or encourage offers from, initiate, participate in any negotiations or discussions with, enter into any agreements or understandings with, or furnish any information to any third party regarding or in anticipation of any Alternative Transaction involving Sprout, Subco or any other subsidiary or affiliate, their respective common shares or any of their material assets in each case that would be reasonably likely to impede the Amalgamation;
- (b) cease and cause any of its subsidiaries and its Advisors or otherwise, to cease and terminate any existing activity, discussion or negotiation with any third party in respect of an Alternative Transaction;
- (c) terminate access that any third party has to Sprout's data site, if any, or access to due diligence materials as of the date of this Agreement and request the return or destruction of any due diligence materials provided to any third parties immediately;
- (d) not release any person (other than TheraCann) from any standstill covenants or obligations under any confidentiality and/or standstill agreement;

- (e) use its reasonable commercial efforts to complete the Amalgamation and to not take any action contrary to or in opposition to the Amalgamation, except as required by statutory law;
- (f) use its reasonable commercial efforts to obtain any third parties approvals required in respect of the Amalgamation; and
- (g) cooperate fully with TheraCann and to use all reasonable commercial efforts to otherwise complete the Amalgamation, unless such cooperation and efforts would subject TheraCann to liability or would be in breach of applicable statutory and regulatory requirements,

in each case, other than pursuant to any fiduciary obligations of its directors (including, without limitation, the fiduciary obligation to respond to any unsolicited inquiries received).

#### **5.4 Stock Exchange Approval**

Sprout will use all commercially reasonable efforts to assist TheraCann in obtaining the conditional approval of the Exchange to list the post-Consolidation Sprout Shares issuable to the TheraCann Shareholders and the holders of Subco Shares in connection with the Transaction.

#### **5.5 Sprout Circular and Listing Statement**

- (a) Sprout will cause the Sprout Meeting to be held on or before the date which is 65 days following the date hereof, or such later date as consented to in writing by TheraCann, acting reasonably, and will use all commercially reasonable efforts to:
  - (i) prepare, as promptly as practicable after the date of this Agreement, the Sprout Circular, together with any other documents required under Canadian Securities Laws and applicable corporate laws in connection with the Sprout Meeting or listing of the post-Consolidation Sprout Shares issuable in connection with the Amalgamation on the Exchange;
  - (ii) cause the Sprout Circular to be mailed to the Sprout Shareholders as required by Canadian Securities Laws; and
  - (iii) cause the Sprout Circular to include, inter alia, the unanimous recommendation of the Sprout Board that the Sprout Minority Shareholders vote in favour of approval of the Fundamental Change Resolution.
- (b) Sprout will use all commercially reasonable efforts to assist TheraCann in connection with the preparation of the Listing Statement and provide TheraCann with such information and material concerning its affairs as TheraCann will reasonably request, and prepare as promptly as possible any other documents required by applicable legislation and/or regulation in connection with all shareholder and regulatory approvals required in respect of the Amalgamation and the other matters contemplated hereby, including but not limited to the extent applicable, the disclosure regarding Sprout (including financial statements) prescribed under applicable Canadian Securities Laws

and described in the form of prospectus that Sprout would be eligible to use, for inclusion in the Listing Statement.

## Article 6

### CONDITIONS PRECEDENT TO THE AMALGAMATION

#### 6.1 Mutual Conditions Precedent

Each party's obligation to satisfy their respective covenants herein and consummate the Amalgamation and other transactions contemplated herein is subject to the satisfaction, on or before the Effective Date (or such other date as otherwise may be specifically indicated), of the following conditions, any of which may be waived by mutual consent of the parties subject to the satisfaction or in absence of such further conditions with respect to the giving of such waiver, and without prejudice to their rights to rely on one or more other conditions precedent:

- (a) effective as of the Closing, the Sprout Board will be comprising the following persons (or such other persons as are nominees of TheraCann and acceptable to each of Sprout and the Exchange):
  - (i) Chris Bolton (Chairman);
  - (ii) Tom Andrews;
  - (iii) Kevin McGeough;
  - (iv) Toni Rinow; and
  - (v) an additional director as mutually agreed upon by the parties.
- (b) all necessary corporate action will have been taken to appoint the following persons, effective upon the Closing, as the management of Sprout (the "**Management**"):
  - (i) Chris Bolton, Chief Executive Officer;
  - (ii) Carlos Zapata, Chief Operating Officer; and
  - (iii) Dean Callaway, Chief Financial Officer;
- (c) all necessary documents, approvals and consents will be obtained to effect the appointments to the Sprout Board and the Management of Sprout described in subsections 6.1(a) and 6.1(b) above;
- (d) the TheraCann Shareholders will have approved the Amalgamation Resolution;
- (e) the Sprout Minority Shareholders will have approved the Fundamental Change Resolution;
- (f) neither Sprout nor TheraCann will have issued any further securities without the consent of the other party other than as contemplated in this Agreement, pursuant to

the exercise of currently outstanding options or other convertible securities of Sprout and TheraCann, as applicable, or as otherwise contemplated herein;

- (g) all other approvals, consents and orders that are necessary or advisable for the consummation of the Transaction, including, but not limited to, the approval of the Exchange of the Amalgamation and the listing of the post-Consolidation Sprout Shares, will have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, all on terms satisfactory to each of the parties hereto, acting reasonably;
- (h) there will be no material action, cause of action, claim, demand, suit, investigation or other proceedings in progress, pending or threatened against or affecting any of Sprout, Subco, TheraCann or any such company's respective officers and directors, at law or in equity, or before any governmental department, commission, or agency, which involve the reasonable likelihood of any judgment or liability against any of the parties;
- (i) there will not be in force any prohibition at law, order or decree restraining or enjoining the consummation of the Transaction;
- (j) the approval of the Registrar of the Amalgamation will have been obtained under the Law 32 Panama;
- (k) the representations and warranties of the parties herein will be true and correct in all material respects as at the Effective Time, except for such representations and warranties made expressly as of a specified date which will be true and correct in all material respects as of such date; and
- (l) all covenants, obligations and conditions of the parties herein on their parts will be performed, satisfied and observed prior to or at the Effective Time will have been performed, satisfied and observed in all material respects.

## **6.2 Sprout and Subcos' Conditions Precedent**

The obligation of Sprout and Subco to satisfy their respective covenants herein and consummate the Amalgamation and other transactions contemplated herein is subject to the satisfaction, on or before the Effective Date (or such other date as otherwise may be specifically indicated), of the following conditions, any of which may be waived by mutual consent of Sprout and Subco subject to the satisfaction or in absence of such further conditions with respect to the giving of such waiver, and without prejudice to their rights to rely on one or more other conditions precedent:

- (a) TheraCann will have delivered to Sprout the TheraCann Financial Statements;
- (b) TheraCann will have delivered to Sprout all of the documents set out in Section 7.4 herein;
- (c) TheraCann will have delivered to Sprout any other such documents and other information as Sprout, and any regulatory authority or body having jurisdiction, will have reasonably requested; and

- (d) there will have been no Material Adverse Changes with respect to TheraCann between the date of signing this Agreement and the completion of the Amalgamation.

### **6.3 TheraCann Conditions Precedent**

The obligation of TheraCann to satisfy its covenants herein and consummate the Amalgamation and other transactions contemplated herein is subject to the satisfaction, on or before the Effective Date (or such other date as otherwise may be specifically indicated), of the following conditions, any of which may be waived by TheraCann subject to the satisfaction or in absence of such further conditions with respect to the giving of such waiver, and without prejudice to its rights to rely on one or more other conditions precedent:

- (a) Sprout will have delivered to TheraCann all of the documents set out in Section 7.2 herein;
- (b) Sprout will be a reporting issuer in good standing in the provinces of British Columbia, Ontario and Alberta and will not be in material default of any requirement of any Canadian Securities Laws or the requirements of the Exchange and neither Sprout nor any of its securities will be the subject of any cease trade order or regulatory enquiry or investigation in any jurisdiction;
- (c) there being no outstanding Sprout Shares or convertible securities outstanding to acquire Sprout Shares other than as set forth in Appendix "B";
- (d) Sprout will have approved the Sprout Subco Amalgamation Resolution in accordance with applicable Law;
- (e) completion of the Consolidation;
- (f) the post-Consolidation Sprout Shares to be issued on the Closing will be issued as fully paid and non-assessable shares in the capital of Sprout, free and clear of any and all encumbrances, liens, charges, "restricted period" (pursuant to Section 2.5 of National Instrument 45-102 Resale of Securities), demands of whatsoever nature under Canadian law, except those imposed pursuant escrow restrictions of the Exchange or pursuant to sales from a control block;
- (g) the issuance of the post-Consolidation Sprout Shares on Closing will be exempt from prospectus requirements in Canada;
- (h) each of Sprout and Subco will have delivered to TheraCann such documents and other information as TheraCann, and any other regulatory authority or body having jurisdiction, will have reasonably requested or required; and
- (i) there will have been no Material Adverse Changes with respect to Sprout or Subco between the date of signing this Agreement and the completion of the Amalgamation.

**Article 7**  
**CLOSING**

**7.1     Time and Place of Closing**

The Closing will take place at the Effective Time at such place as may be mutually agreed between Sprout and TheraCann, or as soon as reasonably practicable thereafter at such time, on such date and at such place as Sprout and TheraCann may otherwise agree.

**7.2     Sprout Deliveries at Closing**

At the Closing, Sprout will deliver to TheraCann:

- (a) a certified copy of the directors' resolutions or other documentation evidencing the approval of Sprout of the Amalgamation, Consolidation, Name Change, the entering into of this Agreement and all matters related to the Transaction;
- (b) a certified copy of the directors' resolutions or other documentation evidencing the approval of Subco of the Amalgamation, the entering into of this Agreement and all matters related to the Transaction;
- (c) a certified copy of the Sprout Subco Amalgamation Resolution;
- (d) a certified copy of the Certificate of Amalgamation;
- (e) copies of the share certificates or DRS statements representing the post-Consolidation Sprout Shares issued pursuant to subsection 2.2(e);
- (f) a certificate signed by a director or senior officer of Sprout confirming that all Sprout's conditions precedent to the Amalgamation for the benefit of Sprout have been satisfied or waived by Sprout, that all representations and warranties of Sprout contained herein are true and correct as if they had been made at the Effective Time and that all covenants and obligations required to be performed and complied with by this Agreement have been performed and complied with as of the Effective Time;
- (g) evidence satisfactory to TheraCann that Sprout has received conditional approval of the Exchange for the Amalgamation; and
- (h) such other documents and instruments in connection with the Closing as may be reasonably requested by TheraCann.

**7.3     Amalcos' Deliveries at Closing**

At the Closing, Amalco will deliver to Sprout share certificates representing the Amalco Shares issued pursuant to subsection 2.2(f).

**7.4     TheraCann Deliveries at Closing**

At the Closing, TheraCann will deliver to Sprout:

- (a) a certified copy of the directors' resolutions or other documentation evidencing the approval of TheraCann of the Amalgamation, the entering into of this Agreement and all matters related to the Transaction;
- (b) a certified copy of the Amalgamation Resolution;
- (c) a certificate signed by a director or senior officer of TheraCann confirming that all TheraCann's conditions precedent to the Amalgamation for the benefit of TheraCann have been satisfied or waived by TheraCann, that all representations and warranties of TheraCann contained herein are true and correct as if they had been made at the Effective Time, that all covenants and obligations required to be performed and complied with by this Agreement have been performed and complied with as of the Effective Time;
- (d) evidence satisfactory to Sprout of receipt of the conditional approval of the Exchange for the Amalgamation; and
- (e) such other documents and instruments in connection with the Closing as may be reasonably requested by Sprout.

## Article 8 TERMINATION

### 8.1 Right to Terminate

This Agreement may be terminated at any time prior to the Effective Time, by the mutual consent of the parties or in the following circumstances by written notice given by the terminating party to the other parties hereto:

- (a) by either of Sprout (on behalf of itself and Subco) or TheraCann, if the Effective Time has not occurred on or before July 31, 2023, or such other date as mutually agreed to between TheraCann and Sprout, provided that the party then seeking to terminate this Agreement is not then in default of any of its obligations hereunder;
- (b) by either of Sprout (on behalf of itself and Subco) or TheraCann (the "**Non-Defaulting Party**"), if the other is in default or breach (the "**Defaulting Party**") of any representation, warranty, covenant or agreement set forth in this Agreement in any material respect, and the Non-Defaulting Party has given written notice (the "**Default Notice**") of such default to the Defaulting Party and the Defaulting Party has failed to cure such default within ten (10) days of the Default Notice (the "**Cure Period**"), in which event this Agreement will terminate on the date immediately following the end of the Cure Period (if the applicable default or breach has not been cured to the satisfaction of the Non-Defaulting Party, in its sole and unfettered discretion);
- (c) by either of Sprout (on behalf of itself and Subco) or TheraCann if any permanent order, decree, ruling or other action of a court or other competent authority restraining, enjoining or otherwise preventing the consummation of the Amalgamation will have become final and non-appealable;



- (d) by Sprout (on behalf of itself and Subco) if the Amalgamation Resolution is not approved by the TheraCann Shareholders; or
- (e) by TheraCann if the Fundamental Change Resolution is not approved by the Sprout Minority Shareholders.

and in such event, each party hereto will be released from all obligations under this Agreement without liability other than pursuant to Section 8.2 below, always provided that such release without liability will not apply if such termination is a result of the party's failure to perform, satisfy or observe in good faith its obligations to be performed, satisfied or observed hereunder.

## **8.2 Effect of Termination**

Notwithstanding section 8.1, each party's right of termination under this Article is in addition to and not in derogation of or limitation to any other rights, claims, causes of action or other remedy that such party may have under this Agreement or otherwise at law with respect to any misrepresentation, breach of covenant or indemnity contained herein.

## **Article 9**

### **CONFIDENTIALITY AND PUBLIC DISCLOSURE**

#### **9.1 Confidentiality**

Unless and until the transactions contemplated in this Agreement have been completed, except with the prior written consent of the other parties at the relevant time or as required by law, each of the parties and their respective Advisors will hold all information received from the other parties in strictest confidence, except such information and documents available to the public or as are required to be disclosed by applicable law, and will use such information solely for the purpose of completing the Amalgamation. All such information in written form and documents will be returned to the party originally delivering them in the event that the transactions provided for in this Agreement are not consummated.

#### **9.2 Public Disclosure**

All public announcements regarding this Agreement or the Amalgamation will be subject to review and reasonable consultation of all parties hereto as to form, content and timing, before public disclosure, always provided that a party will be entitled to make such public announcement if required by applicable law or regulatory requirements to immediately do so and it has taken reasonable efforts to comply herewith.

## **Article 10**

### **GENERAL**

#### **10.1 Expenses**

Subject to section 8.2, the parties hereto acknowledge and agree that each party will be responsible for its own costs, whether or not the transactions contemplated herein are completed, including but not limited to any fees, disbursements and charges incurred with respect to its due diligence investigations and the preparation of this Agreement and any other documents, certificates and opinions required for

the Closing or otherwise required in connection herewith (it being acknowledged that documentation in respect of the Transaction will, to as great an extent as reasonably possible, be prepared by TheraCann's legal counsel).

## **10.2 Notices**

Each notice, demand or other communication required or permitted to be given hereunder will be effective if by email, in writing and delivered personally, or sent by prepaid mail as follows:

- (a) If to Sprout or Subco,  
Sprout AI Inc.

400-931 Fort Street  
Victoria, BC | V8V 3K3  
Email: czapata@sproutai.solutions

Attention: Carlos Zapata, Chief Operating Officer

- (b) If to TheraCann:

TheraCann International Benchmark Corporation  
Suite 213, Building 3855, International Business Park  
Panama Pacifico  
Email: cbolton@theracann.solutions

Attention: Chris Bolton, Chief Executive Officer and Chairman

and any notice, demand or other communication given as aforesaid will be deemed to be received on the date of email or personal delivery if delivered or transmitted during normal business hours (and on the first Business Day thereafter if delivered or transmitted after normal business hours), and the third Business Day after mailing if sent by prepaid mail, excluding all days when normal mail service is interrupted. Any party may from time to time change its address of service by notice to the other parties in accordance herewith.

## **10.3 Entire Agreement and Further Assurances**

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, whether oral or written, existing between the parties with respect to the subject matter hereof, including the letter agreement entered into between TheraCann and Sprout, dated effective April 22, 2023.

The parties will from time to time promptly execute or cause to be executed all such deeds, conveyances and other documents and instruments and do or cause to be done all such acts and other things which may be necessary or advisable to fully carry out and give effect to the intent of and matters contained in this Agreement.

**10.4 Amendments and Waivers**

This Agreement may only be amended by instrument in writing signed by the parties hereto, without further notice to or consent or approval by their respective shareholders unless strictly required by applicable law.

Any waiver or consent hereunder must be in writing and signed by the party giving the waiver or consent. No waiver or consent hereunder will be construed or deemed to be a waiver or consent with respect to any other provision hereof or to be a continuous waiver or consent unless so expressly provided for.

**10.5 Severability**

If any provision or part thereof of this Agreement is declared by a court or other judicial or administrative body of competent jurisdiction to be illegal, invalid or unenforceable, that provision or part thereof will be severed from this Agreement and the remaining provisions of part thereof of this Agreement will continue in full force and effect and unaffected thereby.

**10.6 Assignment and Enurement**

This Agreement is personal in nature and may not be assigned in whole or in part without the express written consent of the other parties hereto. This Agreement will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.

**10.7 Governing Law**

This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. The parties hereto acknowledge and agree that the courts of British Columbia will have exclusive jurisdiction with respect to any dispute or other matter arising hereunder.

**10.8 Time of the Essence**

Time will be of the essence hereof.

**10.9 Execution and Delivery**

This Agreement may be signed and delivered in two or more counterparts and by electronic means, and when taken together such counterparts will be deemed to constitute one and the same and an originally executed instrument having effect from the date first above written notwithstanding the date of execution and delivery.

***[Remainder of page intentionally left blank]***

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

**SPROUT AI INC.**

per: 

Carlos Zapata  
Chief Operating Officer

**Sprout AI S.A.**

per: 

Carlos Zapata  
Chief Operating Officer

**THERACANN INTERNATIONAL BENCHMARK  
CORPORATION**

per: 

Chris Bolton  
Chief Executive Officer

**APPENDIX A**

**ARTICLES OF INCORPORATION OF AMALCO**

See attached.

## APPENDIX B

### ISSUED AND OUTSTANDING SECURITIES (AND OBLIGATIONS TO ISSUE SECURITIES)

#### A. Sprout AI Inc.

| Type of Security   | Number                    |
|--|---------------------------|
| Sprout Shares outstanding as of the date hereof  | 90,964,806                |
| Sprout Performance Warrants outstanding as of the date hereof (to be cancelled as of the Effective Time) | 10,000,000 <sup>(1)</sup> |

<sup>(1)</sup> Each Sprout Performance Warrant is exercisable into a Sprout Share at an exercise price of \$0.17 for a period of three years from the date of issuance.

#### B. Sprout AI S.A.

| Type of Security                        | Number     |
|---|------------|
| Subco Shares outstanding at date hereof | 90,964,806 |

#### C. TheraCann International Benchmark Corporation

| Type of Security                                     | Number   |
|--|--|
| TheraCann Shares outstanding as of the date hereof   | 10,315,714   |
| TheraCann Warrants outstanding as of the date hereof | 631,500 <sup>(1)</sup>                                   |
| TheraCann Debentures                                 | \$6,644,000 (plus<br>accrued interest of<br>\$2,387,569) |

<sup>(1)</sup> 292,500 of such TheraCann Warrants are exercisable until July 31, 2023; and 339,000 of such TheraCann Warrants are exercisable at any time from and after the date of a Liquidity Event for a period of 18 months from the date of the Liquidity Event.