Sprout AI Inc.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JULY 31, 2022

(Expressed in United States Dollars)

INTRODUCTION

This management's discussion and analysis ("MD&A") of the financial position and results of operations for Sprout AI Inc. (the "Company") is prepared by management as at October 26, 2022. The information herein should be read in conjunction with the interim condensed consolidated financial statements for the six months ended July 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 October 26, 2022.

The Company completed a preliminary long form prospectus (the "Prospectus") to become a reporting issuer under the applicable securities legislation in each of British Columbia, Alberta and Ontario. Upon completion of the reverse takeover with Sprout AI, S.A. ("Sprout SA") on June 1, 2021, the Company changed its name to Sprout AI Inc. and adopted the trading symbol "SPRT", which has been changed to "BYFM" on the CSE.

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. 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 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

Sprout AI Inc. (the "Company" or "Sprout AI") was incorporated on August 25, 2020, under the Business Corporations Act in British Columbia. On June 1, 2021, the Company changed its name from 1262803 B.C. LTD. to Sprout AI Inc. upon closing of its acquisition of Sprout AI S.A. ("Sprout SA"). Sprout AI is a vertical farming technology company in the business of planning, designing, manufacturing and/or assembling sustainable and scalable AI-controlled vertical cultivation equipment for indoor vertical farming.

Sprout is in the business of planning, designing, implementing and supporting vertical automated fogponic grow habitats designed to operate within high density urban settings with access to limited power and water.

Sprout SA is a limited 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. Sprout is registered in the Panama Pacifico Special Economic Area according to the Administrative Resolution No. 339-19 on October 7, 2019.

The impact of COVID-19 on the business operations at Sprout AI since the beginning of 2020 have been severe. Limited operations for the past two and one-half years have had a negative effect on the financial position of the Company. Since early 2022, with the relief of certain restrictions in Panama, the Company is attempting to carry on operations at pre-covid levels.

On December 7, 2020, the Company signed a Securities Exchange Agreement (the "Definitive Agreement") with Sprout SA and the shareholder of Sprout SA, to acquire all of the outstanding securities of Sprout SA in consideration for i) 50,000,000 common shares of the Company (issued on June 1, 2021). And ii) 10,000,000 performance-based share purchase warrants of the Company (granted on June 1, 2021). Each warrant will entitle the holder to purchase an additional common share of the Company at an exercise price of $0.17 CAD for a period of three years. These warrants vest as follows:

a. One third vesting upon the Company realizing $3,000,000 in total revenue;
b. One third vesting upon the Company realizing $6,000,000 in total revenue; and
c. One third vesting upon the Company realizing $9,000,000 in total revenue.

The above transaction constitutes a reverse takeover ("RTO") of the Company with Sprout SA being the acquirer for accounting purposes.

COMPANY'S OPERATIONS AND OUTLOOK

Sprout SA's operations are located in Panama, Central America where it's manufacturing facilities are located in the Veracruz tax free zone. Production is conducted at the Company's Center of Excellence ("COE"). The COE 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.

Sprout AI is committed to both environmental and social sustainability. Its vision is to be a leader in urban vertical cultivation by ensuring each harvest is of high quality, producing high yield, and is consistent with the last batch to reduce product variability. To accomplish this vision its mission is to develop an innovative and adaptable solution to the regulatory demands relating to quality, traceability, and audit of crop production.

Sprout AI's business model is to plan, design, implement, and support vertical automated fogponics grow habitats designed to operate within high-density urban settings with access to limited power and water.

At the time of the acquisition, the Company provided Sprout SA with bridge financing to fund operations. On the closing of the transaction on June 1, 2021, the Company changed its name to Sprout AI Inc. and the bridge funding was consolidated.

Since inception, the Company has completed a number of key initiatives and transactions that have affected the operations of the Company. The key events are as follows:

- On August 31, 2020, the Company closed a non-brokered private placement offering of 9,500,000 units at a price of $0.005 CAD per unit for gross proceeds of $47,500 CAD ($36,072 USD). Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share, for a period of twelve months at an exercise price of $0.02 CAD per warrant. A value of $Nil was assigned to the warrants.

- On September 10, 2020, the Company closed a non-brokered private placement offering of 5,000,000 common shares at a price of $0.05 CAD per common share for gross proceeds of $250,000 CAD ($189,854 USD).
- On November 18, 2020, the Company closed a non-brokered private placement offering of 2,000,000 common shares at a price of $0.05 CAD per common share for gross proceeds of $100,000 CAD ($75,942 USD).
- On December 2, 2020, the Company closed a non-brokered private placement offering of 2,000,000 common shares at a price of $0.05 CAD per common share for gross proceeds of $100,000 CAD ($77,316 USD).
- On February 2, 2021, the Company closed a non-brokered private placement offering consisting of 11,764,706 special warrants of the Company (each, a "Special Warrant") at $0.17 CAD per Special Warrant for gross proceeds of $2,000,000 CAD ($1,560,306 USD). Each Special Warrant entitles the holder thereof to acquire, without payment of any additional consideration and without any action by the holder, one common share (each, a "Special Warrant Share") in the capital of the Company. Also, each Special Warrant will automatically convert into a common share on the earlier of: (i) the first business day following the day on which a receipt for a final prospectus has been issued to the Company by or on behalf of the securities regulatory authorities in a province of Canada or such other jurisdiction(s) as may be determined by the Company and (ii) the 240th day following the issuance of the Special Warrants.
- On May 31, 2021, the Company issued 9,500,000 common shares upon exercise of warrants for gross proceeds of $190,000 CAD ($157,207 USD).
- On June 1, 2021, Sprout SA completed an RTO with the Company and 50,000,000 Company's common shares with a fair value of $3,953,502 and 10,000,000 of warrants with an estimated value of $752,552.
- On June 3, 2021, the Company issued 11,764,706 common shares upon conversion of the Special Warrants granted on February 2, 2021.
- On June 22, 2021, the Company issued 500,000 common shares for warrants exercised for gross proceeds of $25,000 CAD ($20,233 USD).
- On August 10, 2021, the Company issued 700,000 common shares for gross proceeds of $455,000 CAD ($364,525 USD).
- March 7, 2022, the Company entered into a secured commercial loan agreement with S. Halter for $520,000. The loan has a three year term.
- April 5, 2022, the Canadian Stock Exchange issued a cease trading order on the shares of the Company.
- 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. A total of 75 habitats are available for sponsorship within the next year which could result in revenue generation of approximately $1.2 million.
- In 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 July 30, 2022 the Company received a purchase order from its distributor TheraCann International Benchmark Corp ("TheraCann) for 150 habitats as part of a 1400 habitat order for a client located within the Greater Toronto Area of Ontario, Canada. The facility will be planned, designed and managed by TheraCann as a Commercial Production Facility measuring a total of 7,400 ft and capable of housing multiple crops totaling up to 576,000 plants. Habitats will be delivered as par of a rolling order and are estimated to generate over $5 million over the next year.

- On August 8, 2022, the Company received a purchase order from its distributor TheraCann for 30 habitats, for a client located within the Metropolitan Vancouver Area of British Columbia, Canada. The facility will be planned, designed and managed by TheraCann as a Discovery Center measuring a total of 75,000 ft and capable of housing multiple crops totaling up to 60,000 plants. Habitats will be delivered as part of a rolling order and are estimated to generate over $3M in the next 12 months.

- On August 15, 2022, the Company completed the delivery of 75 habitats to TheraCann's client in Zimbabwe. The delivery is part of a rolling order whereby the Company will deliver an additional 660 habitats over the next 12 months which would result in additional revenue generation of approximately $11 million once completed. TheraCann planned, designed and will manage this facility to host up to a total of 1,440 habitats.

- 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. The value of this agreement is estimated to be up to $500,000 over the next year.

Through its contract with TheraCann, the Company is working on the development of projects in other areas in the world including Colombia, Peru and South Africa.

Expressed in US Dollars

FINANCIAL PERFORMANCE

SELECTED FINANCIAL INFORMATION

	Three Months Ended July 31,		Six months Ended July 31,	
	2022	2021	**2022**	2021
Total Revenue	**102,180**	nil	**102,180**	nil
Net loss for the period	**(447,012)**	(4,866,006)	**(1,047,908)**	(5,048,209)
Net loss per share-basic	**(0.00)**	(0.07)	**(0.01)**	(0.12)
Total comprehensive loss	**(455,566)**	(4,839,196)	**(1,083,615)**	(5,021,399)
Capital expenditures	**(2,495)**	(14,301)	**(82,413)**	(14,301)

	July 31, 2022	January 31, 2022
Total assets	**2,748,549**	2,656,934
Total liabilities	**5,368,502**	4,193,272
Working capital	**(3,057,344)**	(2,365,243)

RESULTS OF OPERATIONS

The following paragraphs provide information about the results of the Company's on-going operations for the three months ended July 31, 2022.

Revenue

For the three and six months ended July 31, 2022, the Company generated revenue of $102,180 as compared to $Nil for same periods of 2021. Revenue is primarily generated from licensing fees and management and consulting services from related parties.

Net Loss for the period-end

For the three and six months ended July 31, 2022, the Company recorded a net loss of $447,014 and $1,047,908 respectively as compared to a net loss of $4,839,196 and $5,021,399 for comparative periods of 2021. The increased losses were primarily as a result of payroll expenses, professional fees and general and office administration cost that ramped up post covid slowdown.

Depreciation and amortization expense
Amortization expense on capital assets for the three and six months ended July 31, 2022, was $83,163 and $167,161 respectively, as compared to $77,752 and 156,721 for the same periods of 2021.

Capital expenditures

The following table shows the Company's capital additions for the period ended July 31, 2022:

	Capital expenditures
Furniture and fixtures	1,982
Property Plant and Equipment	2,753
Total property and equipment additions	4,735
Brand Names	19,567
Development	56,334
Patent	270
Total intangible assets additions	76,171

Expressed in US Dollars

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the operation results for the past quarters since incorporation:

Quarter Ended	Total Assets	Working Capital	Shareholders' Equity	Revenue	Net Loss	Loss per Share
July 31, 2022	**2,748,549**	**(3,057,344)**	**(2,619,953)**	**102,180**	**(1,047,908)**	**0.01**
April 30, 2022	3,069,804	(2,594,937)	(2,164,387)	-	(600,896)	0.01
January 31, 2022	2,656,934	(2,365,243)	(1,536,338)	112,635	(326,751)	-
October 31, 2021	3,345,178	(1,747,331)	1,161,210	-	(724,303)	0.01
July 31, 2021	3,915,653	(790,825)	613,658	-	(368,234)	0.01
April 30, 2021	1,713,062	(2,517,686)	2,309,578	-	(182,203)	0.01
January 31, 2021	1,716,735	(2,349,640)	(2,127,375)	-	(301,365)	0.01
Incorporation: August 25, 2020, to October 31, 2020	1,522,475	(2,216,064)	(1,826,008)	-	(768,523)	0.02

During the period ended October 31, 2020, the Company was incorporated and had minimal transactions.

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 January 31, 2022 is as follows:

	July 31, 2022	January 31, 2022
Deficit	**(9,381,895)**	(8,298,280)
Working capital	**(3,057,344)**	(2,365,243)
Cash	**27,494**	341,752

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing or deposits will be favorable. The Company 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 Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Operating Activities

Net cash used in operating activities for the three and six months ended July 31, 2022, was $137,846 and $591,427 as compared to a cash from operating activities of $41,310 and $100,303 in the same periods of 2021. The Company is focusing on ramping up operations during the period and incurred operating expenses accordingly.

Expressed in US Dollars

Investing Activities

Net cash used in investing activities for the three and six months ended July 31, 2022, was $2,495 and $82,413 respectively mostly for the development of Intangible assets, in the same periods of 2021 cash from investing activities was $1,567,909 mostly due to the cash acquired on the reverse acquisition.

Financing Activities

Net cash used in financing activities during the three months ended July 31, 2022, was $80,209 and for the cash from financing activities in the six months ended July 31, 2022, was $359,582 as the company received proceed from a long-term debt offset by repayment of lease liabilities, as compared to cash used in financing activities of $84,700 and $133,132 respectively in the same periods of 2021.

OUTSTANDING SHARE DATA

The common shares of the Company were put on a trading halt on April 6, 2022 as a result of missing filing dates. This was created as a result of misinformation on year-end dates and change of auditors, necessitated by the old auditors, at an inopportune time. The Company shares are listed on the CSE under the symbol "BYFM" and US OTC stock market under the symbol "BYFMF"
.
As at July 31, 2022 the Company had 90,964,806 shares issued and outstanding (January 31, 2022 – 90,964,806).

The following is a summary of the share transactions since inception:

	Number of common shares	Amounts
Balance, October 31, 2019	100	10,000
Net loss and comprehensive loss	-	-
Balance, October 31, 2020	100	10,000
Reverse acquisition transaction		
Common shares acquired from legal subsidiary	(100)	-
Equity of Sprout AI Inc.	28,000,100	536,391
Elimination of equity of Sprout AI Inc.	-	(536,391)
Issuance of common shares pursuant to reverse takeover ("RTO")	50,000,000	3,953,502
Common shares issued on exercise of special warrants	11,764,706	1,661,130
Common shares issued on closing of private placements	500,000	20,233
Common shares issued on closing of private placements	700,000	364,525
At January 31, 2022	90,964,806	6,009,390
At July 31, 2022	**90,964,806**	**6,009,390**

RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel

Transactions with key management personnel of the Company include certain members of the Company's executive management team and the Board of Directors which have the responsibilities for strategic planning, oversight and control of the Company. During the period, the total compensation paid to executive management team and Board of Directors amounted to $100,683 (January 31, 2022 - $195,380).

Expressed in US Dollars

b) Other related party transactions:

Deferred revenues - related parties	**July 31, 2022**	January 31, 2022
Theracann International Benchmark Corp	**1,025,525**	507,157
	1,025,525	507,157

Software licensing fees for the period ending:	**July 31, 2022**	January 31, 2022
One System One Solution, S.A., a wholly owned subsidiary of the parent company	**24,493**	52,485
	24,493	52,485

The following shows the amounts due from and due to related parties:

Due from related parties	**July 31, 2022**	January 31, 2022
Theracann Australia Benchmark Pty Ltd.	**5,997**	4,966
Theracann Canada Benchmark Corporation	**6,316**	412
Theracann Canada Inc.	**26,680**	14,071
ETCH BioTrace, S.A.	**6,272**	5,590
Theracann International Benchmark Corporation	**295,882**	-
One System One Solution, S.A.	**-**	25,460
	341,147	50,499

Due to related parties	**July 31, 2022**	January 31, 2022
One System One Solution, S.A.	**40,586**	-
Theracann International Benchmark Corporation	**2,246,047**	2,241,634
Theracann Australia Benchmark Pty Ltd.	**10,043**	
Christopher Bolton	**35,246**	11,262
	2,331,922	2,252,896

The amounts due from/to related parties are from companies that are owned or controlled by the majority shareholder. The amounts due from/to related parties are unsecured, non-interest bearing and due within 12 months.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Several amendments to existing accounting standards became effective January 31, 2022 and were first adopted by the Company 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 company´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

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 Company 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 at January 31, 2022, 100% of the contracted revenues are from two related companies.

As of July 31, 2022, the Company had $420,976 (January 31, 2022- $93,554) of financial assets carried at amortized cost which were subject to expected credit loss assessment in accordance with IFRS 9. The Company had determined $Nil (January 31, 2022 - $Nil) for the allowance for expected credit loss as $79,829 (January 31, 2022 - $43,055) of the balance was due and collected within 30 days and $341,147 was due within 12 months (January 31,2022 - $50,499). There was no history of default for those debtors

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company 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 Company will be able to obtain required financing in the future on acceptable terms. The Company 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 Company 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 Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company 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.

While the Company 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 Company's liabilities, with the exception of the lease liabilities, are due within the next 12 months.

The table below summarizes the Company's contractual obligations as at July 31, 2022:

Payment Due by Year	Recognized in Financial Statements	Total	Less than 1 year	2-3 years	4-5 years
Accounts payable and accrued liabilities	Yes-Liability	464,079	464,079	-	-
Due to related parties	Yes-Liability	2,331,922	2,331,922		
Loan	Yes-Liability	520,000	81,898	353,237	84,865
Minimum lease payments	Yes-Liability	1,423,345	161,925	646,664	614,756
		4,739,346	3,039,824	999,901	699,621

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 Company's earnings that arises from volatility in foreign exchange rates. The Company 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 Company specific event. The Company has cash in Canadian dollars in the amount of

CAD$3,727 (January 31, 2022- CAD$125,121) that is subject to foreign currency risk. The Company does not hedge its exposure to foreign currency risk.

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. The Company's cash balance are not subject to significant interest rate risk as balances are current and the parent company loans are short term and non-interest bearing.

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 Company is not exposed to any other price risk.

Fair value measurements of financial assets

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 of the Company's receivables, accounts payable and accrued liabilities and due to/from related parties approximate their carrying value due to their short term in nature. The Company's cash is measured at fair value using Level 1 inputs.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the Company's business which prospective investors should carefully consider before deciding whether to purchase common shares in the Company'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.

Related Party

TheraCann owns approximately 53% of the outstanding common shares, giving legal control of the Company. TheraCann will be able to exert control on all matters requiring shareholders' approval and strategic operations of the Company.

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.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. We will be dependent upon the capital markets to raise additional financing in the future, while we establish a client base for our product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to us and our management. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations.

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain our earnings to finance further growth and, when appropriate, retire debt.

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.