Sprout AI
Beyond Farming

# Sprout AI Inc.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE THREE MONTHS ENDED APRIL 30, 2024

*(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 June 28, 2024. The information herein should be read in conjunction with the interim condensed consolidated financial statements for the three months ended April 30, 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 June 28, 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 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

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. The Company's habitats utilize vertical automated fogponic technology and are designed to operate within high density urban settings with access to limited power and water. The Company trades on the Canadian Stock Exchange under the symbol BYFM.

Sprout SA, the Company's Panama subsidiary, 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. 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 during and past COVID 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.

## COMPANY'S OPERATIONS AND OUTLOOK

Sprout SA's operations are located in Panama, Central America where it's manufacturing facilities are located in Panama Viejo Business Center. Production is conducted at the Company's Centre 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 habitats. The total building occupies 924.76 mt2

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 fogponic 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.

Over the past three years, 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:

- Amalgamation with TheraCann International:

The Company is in the process of amalgamating with TheraCann International Benchmark Corp ("TIBC"), which is anticipated to be completed on or before August 30, 2024. On May 29, 2023, Sprout AI Inc. entered into an Amalgamation Agreement with TIBC. Under the terms of the Agreement, TIBC will acquire the Company in a reverse takeover structure, whereby the companies operations will be combined. The entities have agreed to Sprout AI well complete a 3.333 to 1 share consolidation prior to the share conversion with TIBC at a ratio of 5.296 Sprout AI shares for 1 TIBC share. This will results in 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.

Below, we outline the numerous benefits of this amalgamation:

1. **Market Penetration:** This amalgamation will enhance our ability to strengthen customer relationships, capture new market segments, and expand through strategic partnerships and alliances. Our unified approach will enable us to penetrate the market more effectively.

2. **Advanced Technology Integration:** Combining Sprout AI's advanced monitoring and automation capabilities with TheraCann's OS2 enterprise resource planning and compliance (ERPc) software will optimize resource utilization and improve crop quality and yield. This integration promises to elevate our technological capabilities to new heights.

3. **Leveraging Expertise:** The amalgamation will bring together our talented teams, fostering knowledge exchange and collaboration. This synergy will drive innovation and optimize production processes, leading to more efficient and effective operations.

4. **Vertical Farming Expansion:** TheraCann's "We Own" model will facilitate the expansion of Sprout AI's vertical farming operations. This will introduce new cultivation sites and increase production capacity to meet the growing market demand for sustainable, locally grown produce.

5. **Reduced Operational Costs:** By merging TheraCann and Sprout AI, we anticipate significant reductions in operational, administrative, marketing, and sales costs. These savings will improve our overall financial health and allow us to reinvest in further growth and innovation.

We believe this amalgamation will create a stronger, more competitive entity, poised for significant growth and success. We look forward to your support in this transformative step for our companies.

- 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).

- 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 May 1, 2023 TheraCann provided to the Company access of up to US$1M by way of a non-interest bearing loan.

- 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, TheraCannhas 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 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.***

**Expressed in US Dollars**

## FINANCIAL PERFORMANCE

## SELECTED FINANCIAL INFORMATION

| | **Three Months Ended April 30,** | |
|---|---|---|
| | **2024** | 2023 |
| Total Revenue | **79** | 14 |
| Net income (loss) for the period | **(384,053)** | (409,384) |
| Net loss per share-basic | **(0.00)** | (0.00) |
| Capital expenditures net of dispositions | **nil** | (7,240) |

| | **April 30, 2024** | January 31, 2024 |
|---|---|---|
| Total assets | **1,441,343** | 1,466,592 |
| Total liabilities | **5,876,223** | 5,517,419 |
| Working capital | **(5,015,584)** | (4,518,114) |

## RESULTS OF OPERATIONS

The following paragraphs provide information about the results of the Company's on-going operations for the three months ended April 30, 2024.

***Revenue***

For the three months ended April 30, 2024, the Company generated revenue of $79 as compared to $14 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. TheraCann International also provides operating capital to the Company during this period of amalgamation with TheraCann International.

***Net Loss for the period-end***

For the three months ended April 30, 2024, the Company recorded a net loss of $384,053 as compared to a loss of $409,384 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 April 30, 2024, was $94,250 respectively as compared to $80,666 in the corresponding period of 2023. The increase relates mostly to the depreciation of intangible assets that started in the fourth quarter of last fiscal year.

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.

**Expressed in US Dollars**

***Capital expenditures***

The Company had no capital additions in the period ended April 30, 2024.

**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 (Deficiency) | Revenue | Net (Loss) Income | Loss per Share |
|---|---|---|---|---|---|---|
| **April 30, 2024** | 1,441,343 | (5,015,584) | (4,434,880) | 79 | (384,053) | 0.00 |
| January 31, 2024 | 1,466,592 | (4,518,114) | (4,050,827) | 240,399 | (80,447) | 0.00 |
| October 31, 2023 | 1,956,162 | (4,509,797) | (3,970,380) | 121 | (317,293) | 0.01 |
| July 31, 2023 | 2,048,965 | (4,230,863) | (3,653,087) | 169 | (378,721) | 0.01 |
| April 30, 2023 | 2,345,455 | (3,823,879) | (3,274,366) | 14 | (409,384) | 0.00 |
| January 31, 2023 | 2,109,957 | (3,394,245) | (2,864,982) | 775,684 | 305,333 | 0.01 |
| October 31, 2022 | 2,554,370 | (3,633,958) | (3,170,315) | 6,152 | (550,362) | 0.02 |
| July 31, 2022 | 2,748,549 | (3,057,344) | (2,619,953) | 102,180 | (455,566) | 0.01 |

During the quarters presented above and subsequent to the initial round of funding by the Corporation, Sprout was building its 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. In addition, it received capital injections from its related company, TheraCann International Benchmark Corp, which has been recorded through inter-company transfers and as a result generated negative working capital.

**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:

| | **April 30, 2024** | January 31, 2024 |
|---|---|---|
| Deficit | **(11,196,822)** | (10,812,769) |
| Working capital | **(5,015,584)** | (4,518,114) |
| Cash | **37,482** | 6,812 |

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.

**Expressed in US Dollars**

**Operating Activities**

Net cash used in operating activities for the three-month period ended April 30, 2024, was $249,477 compared to $474,536 in the same period of 2023. The Company 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 April 30, 2024, was $nil as compared to $7,240 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 April 30, 2024, was $280,147, compared to $773,595 in the same period of last year, mostly amounts received from related parties.

## OUTSTANDING SHARE DATA

Following the RTO of the Company, the annual year end date provided to it by legal council proved to be incorrect. Subsequently, the Company was filing quarterly statements that were not on the same schedule as the British Colombia Securities Commission (BCSC). Due to reliance on the incorrect quarterly filing dates, and without notice to the Company, the common shares of the Company were put on a trading halt on April 6, 2022 as a result of missed filing date. The matter was corrected quickly and the revocation of the CTO was made on December 22, 2022. The Company shares are listed on the CSE under the symbol "BYFM" and US OTC stock market under the symbol "BYFMF"

The shares of the company are currently halted during the completion of the amalgamation between the Company and TheraCann International.

.
As at April 30, 2024 the Company had 90,964,806 shares issued and outstanding (January 31, 2024 – 90,964,806).

The following is a summary of the share transactions:

| | **Number of common shares** | **Amounts** |
|---|---|---|
| At January 31, 2023 | 90,964,806 | 6,009,390 |
| **At January 31, 2024** | **90,964,806** | **6,009,390** |
| **At April 30, 2024** | **90,964,806** | **6,009,390** |

## RELATED PARTY TRANSACTIONS

a) 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 ended April 30, 2024, the total compensation paid to executive management team and Board of Directors mounted to $31,750 (January 31, 2024 - $346,928).

b) Other related party transactions

During the period ended April 30, 2024, the Company received other revenue from TheraCann International Benchmark Corp., an entity controlled by an officer of the Company, in the amount of $Nil (January 31, 2024 - $143,133) for management and consulting services provided during 2024.

During the period ended April 30, 2024, the Company received other revenue from One System One Solution, S.A., an entity controlled by an officer of the Company, in the amount of $Nil (January 31, 2024 - $97,017) for software development services provided during 2024.

**Expressed in US Dollars**

During the period ended April 30, 2024, the Company was charged a software licensing fee in the amount of $ 6,998 (January 31, 2024 -$45,487) by One System One Solution, S.A., an entity controlled by an officer of the Company.

During the period ended April 30, 2024, the Company was charged $80,186 (January 31, 2024 - $320,742) by TheraCann International Benchmark Corp., an entity controlled by an officer of the Company, in connection with the Company's premises sublease.

Included in accounts payable are $Nil (January 31, 2024 - $36,398) payable to an officer of the Company, received to facilitate the Company's operation.

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

| **Due from related parties** | **April 30, 2024** | January 31, 2024 |
|---|---|---|
| Theracann Canada Benchmark Ltd. | **56,680** | 33,673 |
| ETCH BioTrace, S.A. | **44,884** | 44,884 |
| One System One Solution, S.A. | **203,779** | 210,363 |
| Theracann Africa Benchmark Corporation | **562** | 562 |
| | **305,905** | 289,482 |

| **Due to related parties** | **April 30, 2024** | January 31, 2024 |
|---|---|---|
| Theracann International Benchmark Corporation | **2,765,477** | 2,395,572 |
| Theracann Australia Benchmark Pty Ltd. | **118,351** | 118,675 |
| Theracann Canada Inc. | **(441)** | 4,113 |
| | **2,883,387** | 2,518,360 |

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 April 30, 2024 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 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 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 April 30, 2024, 100% (January 31, 2024 100%) of the contracted revenues are from two (January 31, 2024 two) related companies.

As of April 30, 2024, the Company had $305,905 (January 31, 2024 $289,482) 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, 2024 $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.

**Expressed in US Dollars**

### 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 and non-current portion of the long-term debt, are due within the next 12 months.

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.

| **April 30, 2024** | 0 - 12 months | 1 - 3 years | 3 - 5 years | Beyond 5 years | Indefinite maturity | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Financial assets at FVTPL | **37,482** | **-** | **-** | **-** | **-** | **37,482** |
| Financial assets at amortized cost | **305,905** | **-** | **-** | **-** | **-** | **305,905** |
| Total | **343,387** | **-** | **-** | **-** | **-** | **343,387** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Other financial liabilities | **3,898,886** | **297,732** | **-** | **-** | **-** | **4,196,618** |

| January 31, 2024 | 0 - 12 months | 1 - 3 years | 3 - 5 years | Beyond 5 years | Indefinite maturity | Total |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Financial assets at FVTPL | 6,812 | - | - | - | - | 6,812 |
| Financial assets at amortized cost | 289,482 | - | - | - | - | 289,482 |
| Total | 296,294 | - | - | - | - | 296,294 |
| | | | | | | |
| Financial liabilities | | | | | | |
| Other financial liabilities | 4,164,781 | 505,401 | - | - | - | 4,670,182 |

### 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.

**Expressed in US Dollars**

Included in the undernoted accounts are the following Canadian dollar balances:

| | **April 30, 2024** | January 31, 2024 |
|---|---|---|
| Cash | **30,564** | 2,929 |
| Due from related parties | **77,912** | 35,112 |
| Account payable | **493,289** | 463,910 |

**Interest rate risk**

The Company has deposits in financial institutions. The Company is exposed to reductions in interest rates, which could impact expected current and future returns. As at April 30, 2024, the amount of $37,482 (January 31, 2024 - $6,812) was held in deposits with financial institutions.

| **April 30, 2024** | **Floating Rate Financial Instruments** | **Fixed Rate Financial Instruments** | **Non-interest bearing** | **Total** |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets at FVTPL | **37,482** | **-** | **-** | **37,482** |
| Financial assets at amortized cost | **-** | **-** | **305,905** | **305,905** |
| | **37,482** | **-** | **305,905** | **343,387** |
| | | | | |
| Financial liabilities | | | | |
| Other financial liabilities | **-** | **532,317** | **3,664,301** | **4,196,618** |

| January 31, 2024 | Floating Rate Financial Instruments | Fixed Rate Financial Instruments | Non-interest bearing | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets at FVTPL | 6,812 | - | - | 6,812 |
| Financial assets at amortized cost | - | - | 289,482 | 289,482 |
| | 6,812 | - | 289,482 | 296,294 |
| | | | | |
| Financial liabilities | | | | |
| Other financial liabilities | - | 528,004 | 4,142,178 | 4,670,182 |

**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 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, and due 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.

## 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.