Sprout AI Inc. (formerly 1262803 B.C. LTD.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED AUGUST 31, 2021

(Expressed in Canadian Dollars)

BACKGROUND

This management's discussion and analysis ("MD&A") of the financial position and results of operations for Sprout AI Inc. (formerly 1262803 B.C. LTD.) (the "Company") is prepared as at November 1 , 2021. The information herein should be read in conjunction with the financial statements for the nine months ended August 31, 2021 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 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 proposed transaction with Sprout AI, S.A. ("Sprout"), the Company changed its name to Sprout AI Inc. on June 1, 2021 and adopted the trading symbol "SPRT" 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 Canadian dollars, the reporting currency of the Company, unless specifically noted.

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 OVERVIEW

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. 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.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2021.

PROPOSED ACQUISITION OF SPROUT AI, S.A.

On November 4, 2020, the Company signed a LOI with Sprout where the Company will acquire a 100% interest in all of the issued and outstanding securities of Sprout.

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

On December 7, 2020, the Company signed a Securities Exchange Agreement (the "Definitive Agreement") with Sprout and the shareholder of Sprout. Pursuant to the Definitive Agreement, the Company will acquire all the outstanding securities of Sprout in consideration for the following:

1. 50,000,000 common shares of the Company (issued on June 1, 2021).
2. 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 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 Company will also provide Sprout with a refundable bridge financing of $400,000, of which $150,000 was advanced on the execution of the LOI (completed) and $250,000 (completed) was advanced upon the execution of the Definitive Agreement. The bridge financing is unsecured, non-interest bearing and is repayable if the Definitive Agreement is terminated. Prior to the closing of the transaction the Company is required to complete a private placement for gross proceeds of not less than $2,000,000 (completed). On the closing of the transaction on June 1, 2021, the Company changed its name to Sprout AI Inc..

On February 19, 2021, the Company entered into an agreement with Sprout to lend an additional sum of $300,000 pursuant to the Definitive Agreement ($299,526 advanced as of August 31, 2021).

Expressed in Canadian Dollars

Use of Proceeds Disclosure

In connection with the financing activities during the period ended November 30, 2020, the Company raised gross proceeds of $397,500. The Company anticipated that it would use the proceeds of the financing activities during the period ended November 30, 2020 for short-term capital requirements, for a bridge loan to Sprout AI, S.A., and future working capital for the Company following its proposed transaction with Sprout AI, S.A.. The following table sets out the original proposed uses of the proceeds from the financing activities during the period ended November 30, 2020. Except as set out below, there have been no variations from such proposed uses and the Company continues to proceed towards its original business objectives for such funds.

Use of Proceeds	Proposed Expenditures	Actual Expenditures (As at August 31, 2021)
Short-term capital requirements	$100,000	$149
Bridge Loan to Sprout AI, S.A.	$400,000	$397,351
Future working capital amount for resulting issuer in connection with transaction with Sprout AI, S.A.	$300,000	$Nil

In connection with the financing activities during the period ended May 31, 2021, the Company raised gross proceeds of $2,100,000. The Company anticipated that it would use the proceeds of the financing activities during the period ended August 31, 2021 for short-term capital requirements, for a bridge loan to Sprout AI, and future working capital for the Company following its proposed transaction with Sprout AI, S.A.. The following table sets out the original proposed uses of the proceeds from the financing activities during the period ended August 31, 2021. Except as set out below, there have been no variations from such proposed uses and the Company continues to proceed towards its original business objectives for such funds.

Use of Proceeds	Proposed Expenditures	Actual Expenditures (As at August 31, 2021)
Short-term capital requirements (remaining amount)	$99,851	$Nil
Bridge Loan to Sprout AI, S.A. (remaining amount)	$2,649	$2,649
Future working capital amount for resulting issuer in connection with transaction with Sprout AI, S.A.	$300,000	$299,526

RESULTS OF OPERATIONS

	For the three months ended August 31, 2021	For the nine months ended August 31, 2021
	$	$
Expenses		
General and office administration	**492,412**	**492,794**
Professional fees	**26,446**	**141,642**
Registration, filing and transfer agent fees	**32,551**	**39,142**
Net loss and comprehensive loss for the period	**(551,409)**	**(673,578)**

* The Company was incorporated on August 25, 2020, and there is no comparative prior period.

Expressed in Canadian Dollars

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended August 31, 2021	Three months ended May 31, 2021	Three months ended February 28, 2021	Period from September 1, 2020 to November 30, 2020	Period from Incorporation on August 25, 2020 to August 31, 2020
	$	$	$	$	$
Total assets	1,449,609	1,904,981	2,460,308	397,351	-
Working capital	2,153,185	2,565,182	2,402,444	397,351	-
Shareholders' equity	2,038,773	2,565,182	2,402,444	397,351	-
Total revenue	-	-	-	-	-
Net loss and comprehensive loss	(551,410)	(27,262)	(94,907)	(149)	-
Loss per share - basic and diluted	(0.01)	(0.00)	(0.01)	(0.00)	-

During the period ended November 30, 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 is transitioning from primary reliance on equity financing to reliance on non-refundable client deposits. 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.

Liquidity and capital resources

The Company's working capital position at August 31, 2021 was as follows:

	August 31, 2021	November 30, 2020
	$	$
Working capital	**2,153,185**	397,351
Deficit	**(673,727)**	(149)

The balance of cash available at August 31, 2021 was $1,449,609 (November 30, 2020 - $247,351) with a working capital of $2,153,185 (November 30, 2020 - $397,351).

The Company anticipates the Company's working capital will continue to improve over time as the Company obtains additional non-refundable client deposits on future orders and funding. The Company intends to fund short-term capital requirements via non-refundable client deposits and equity financings. On Aug. 11, 2021, the Company announced **an initial purchase order** of 140 units of its proprietary cultivation habitats. The Order represents gross revenue of approximately US$2.1 million and estimated gross profits of approximately US$210,000 (US$15,000 per unit and estimated gross profits of approximately US$3,750 per Unit). The project may require up to a total of 660 Units delivered by the Company over the next 12 months. This would represent an aggregate gross revenue of up to US$9,900,000 million (including approximately US$2,475,000 in gross profits). An initial payment of 20% or US$420,000 was received April 30, 2021 and an additional 30% of US$630,000 was received August 20, 2021 to process this Order and commence assembly of the Order. The remaining 50% of the Order is due at the time of shipping and expected in the first quarter of 2022. All payments are nonrefundable.

Expressed in Canadian Dollars

As of August 31, 2021 we have negotiated bulk discounts with key vendors. This has resulted in an estimated gross margin increase from 10% to 25% per Unit.

There can be no assurance that the Company will be able to obtain adequate financing and client deposits in the future or that the terms of such financing or deposits will be favourable. If adequate financing or deposits are not available when required, the Company may be unable to continue operating. The Company may seek such 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.

Liquidity and capital resources – Operating activities

Net cash used in operating activities for the period ended was $563,217. The Company was focusing on ramping up operations during the period and incurred operating expenses accordingly.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and capital resources – Financing activities

Net cash provided by financing activities during the period ended August 31, 2021 was $2,315,000. During the period ended August 31, 2021 the Company issued 2,000,000 common shares for gross proceeds of $100,000, issued 11,764,706 special warrants for gross proceeds of $2,000,000, and issued 10,000,000 common shares for exercise of warrants for gross proceeds of $215,000.

Liquidity and capital resources – Investing activities

Net cash used in investing activities was $549,526. During the period ended August 31, 2021, the Company provided a loan to Sprout pursuant to the LOI.

RELATED PARTY TRANSACTIONS

The Directors and Executive Officers of the Company are as follows:

Chris Bolton	Chief Executive Officer, Director
Kyle Horak	Chief Operating Officer, Director
Jon Olsen	Chief Financial Officer
Leanne Likness	Corporate Secretary
Tom Andrews	Director

During the period ended August 31, 2021, the Company had $Nil transactions with related parties. As at August 31, 2021, there is $Nil owing from or due to related parties.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Several amendments to existing accounting standards became effective January 1, 2020 and were first adopted by the Company during the period ended November 30, 2020.

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

The Company's financial instruments consist of cash and loan receivable. 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 of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and loan receivable. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Loan receivable consist of amounts paid to sprout in connection to the LOI. The credit risk is considered low.

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. The Company is not exposed to significant market risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its 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 anticipated 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 beverage 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.

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.

As at August 31, 2021 cash is measured as a Level 1 financial instrument. The loan receivable is measured as a Level 2 financial instrument.

The Company believes that the recorded values of its cash and loan receivable approximate their current fair values because of their nature and relatively short maturity dates or durations.

Expressed in Canadian Dollars

OTHER RISKS AND UNCERTAINTIES

The Company has successfully transitioned to an operating business and intends to seek new markets for its products, and ventures or other opportunities which could include acquiring a business or assets, which in itself could require additional debt or equity financing. There can be no assurances that the Company will continue to be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

OUTSTANDING SHARE DATA

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

	Number of shares issued or issuable
Common shares	90,264,806
Special Warrants	-
Warrants	10,000,000

On June 1, 2021, in accordance with the Definitive Agreement dated December 8, 2020, among Sprout, the Company and TheraCann International Benchmark Corp., the Company acquired all of the issued and outstanding shares of Sprout for a purchase price of $8.5 million, satisfied through the issuance of 50,000,000 Common Shares and 10,000,000 Common Share purchase warrants (the "Transaction") at a deemed value of $0.17 Common Share, which is equal to the value of the Common Shares to be issued pursuant to the Common Share Offering and the Special Warrant Offering. Sprout was at arm's length to the Company and the Transaction was an arm's length transaction. Following closing of the Transaction, Sprout became a wholly owned subsidiary of the Company and the Company changed its name from 1262803 B.C. Ltd. to Sprout AI Inc.

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 pursuant to warrants exercised.

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.

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.