THE PLANTING HOPE COMPANY INC.

Management's Discussion and Analysis
For the three and six months ended June 30, 2023

The following Management's Discussion and Analysis (MD&A) of the consolidated financial results of The Planting Hope Company Inc. is as at and for the three and six months ended June 30, 2023.

This MD&A is dated as of August 29, 2023 and should be read in conjunction with the Company's June 30, 2023 unaudited condensed interim consolidated financial statements and the Company's audited consolidated financial statements for the year ended December 31, 2022. The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Planting Hope Company Inc. ("TPHC", "Planting Hope" or the "Company") was incorporated on November 19, 2020 under the *Business Corporations Act* (British Columbia) as "Campio Capital Corp." and changed its name to "The Planting Hope Company Inc." on May 7, 2021. On August 25, 2021, TPHC completed the acquisition of Planting Hope Brands, LLC (formerly Spinning Wheel IP, LLC) ("PHB"), referred to as a reverse takeover ("RTO") herein. The consolidated financial results include the accounts of the TPHC and its wholly owned subsidiary, PHB, together referred to herein as the "Company".

The Company's shares trade on the TSX Venture Exchange ("TSXV") under the symbol "MYLK", on the Frankfurt Stock Exchange under the symbol "J94" and on the OTCQB Venture Market under the symbol "MYLKF". The Company's shares are also eligible for electronic clearing and settlement through the Depository Trust Company ("DTC") in the United States.

The functional currency of TPHC is the Canadian dollar ("CAD"); the functional currency of PHB is the United States dollar ("USD"). The presentation currency of the Company is the USD. In this MD&A, unless otherwise noted, all dollar amounts are expressed in USD.

Throughout this MD&A and in other materials disclosed by the Company, we adhere to IFRS, however the Company also employs certain non-IFRS and other financial measures to analyze financial performance, financial position, and cash flow. These non-IFRS and other financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures provided by other issuers. The non-IFRS and other financial measures should not be considered to be more meaningful than financial measures which are determined in accordance with IFRS. Please refer to the "Non-IFRS and Other Financial Measures" section at the end of this MD&A for further information.

Additional information regarding the Company, including the Company's audited consolidated financial statements for the three months and year ended December 31, 2022, Annual Information Form, and other filings is available on the Company's profile at www.sedarplus.ca or on the Company's website at www.plantinghopecompany.com.

In this MD&A, the three and six months ended June 30, 2023 may be referred to as "Q2 2023" and "6 months June 2023", respectively, or "the 2023 periods" collectively. The comparative three and six months ended June 30, 2022 may be referred to as "Q2 2022" and "6 months June 2022", respectively, or "the 2022 periods" collectively.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events of the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", anticipate", "plan", "target", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe", and similar expressions. The Company has based these forward-looking statements on its current expectations and projections about future events and financial, business and industry trends that it believes might affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- The Company's business objectives and milestones;
- The Company's plans and expectations with regards to scaling its business, revenue growth and profitability, expected market and product category growth, customer acquisition, marketing efforts, cost reduction, product quality control, customer service expectations and customer satisfaction, and the acquisition and retention of key management and qualified personnel; and
- Adequacy of the Company's financial resources.

Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner to, those disclosed elsewhere herein and any other of the Company's public filings, and include the availability and final receipt of required approvals, licenses and permits, sufficient working capital to develop the business, access to adequate services and supplies, economic conditions, foreign currency exchange rates, interest rates, access to equity and debt markets and associated costs of funds, availability of a qualified work force, that the Company is able to procure inventory and supplies in sufficient quantities and on a timely basis, and that the Company maintains our ongoing relations with its business partners and governmental authorities. While the Company considers these material factors and assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base their decisions on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risks they entail. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

DESCRIPTION OF BUSINESS

The Planting Hope Company is a foodtech innovation company focused on leveraging cutting-edge ingredient, formulation, and packaging technology to develop breakthrough sustainable food and beverage solutions. Planting Hope's intellectual property (IP) strategy and IP-focused culture is centered on unlocking the nutrition in the world's most sustainable crops to create on-trend products that are delicious, nutritious, and planet-friendly. Planting Hope brands and products fill key needs for consumers and deliver better operational solutions for Foodservice partners. These are the products that Generation Z is demanding and Generation Alpha will grow up with.

The Company develops, launches, and scales its sustainable, nutritious, and delicious plant-based consumer packaged foods and beverages across Foodservice, Grocery Retail, E-commerce, and Alternative channels, with an initial focus on distribution in the United States and Canada. The Company's products represent disruptive innovation in their respective Food and Beverage product categories, delivering meaningful advances in sustainability, nutrition, taste, and performance for consumers, retailers, and Foodservice operators. The Company's products are targeted to displace existing products with new innovation, impacting some of the largest Food and Beverage categories worldwide with plant-based, planet-friendly, and nutrition forward products, including Plant Milk, Rice & Grains, and Snacks.

The Company has three mission pillars:

1. Nutrition: The Company's products deliver strong nutritional benefits, such as significant levels of protein and complete protein (all 9 essential amino acids), dietary fiber, vitamins and minerals, and lower levels of carbohydrates, fats, and sugars. The Company's products are certified plant-based, meaning no animal ingredients are used in the products, and the majority of the Company's products are free from most top allergens, including gluten, soy, dairy, and peanuts.
2. Sustainability: The Company strives to use planet-friendly ingredients, packaging, and distribution processes, from degradable packaging film and recyclable containers to upcycled-certified ingredients and ingredients from crops that require minimal water and support regenerative agriculture. The Company's products are primarily shelf-stable with extended shelf life, limiting negative environmental impacts across the supply chain, from minimizing the carbon footprint from shipping, warehousing, and distribution to minimizing food waste.
3. Representation: The Company has built out and is continuing to expand an operating team and a network of partners that bring forward groups traditionally underrepresented in Food and Beverage and in public companies (including women and ethnic and other minorities). In doing so, the Company is able to better reflect its core consumer base, those who are actively leading the adoption of innovative sustainable, better-for-you food & beverage products with a plant-based focus. The Company has been successful is attracting top candidates to a culture and environment that is inclusive and productive, resulting in better product development and tactical delivery of its brands and objectives.

The Planting Hope Company's operations are centralized at the Company's United States-based operating subsidiary, Planting Hope Brands, located at 4710 N. Sheridan Road, Chicago, IL 60640.

The Company is currently scaling four core breakthrough plant-based Food and Beverage brands that are targeted to disrupt three of the largest food categories worldwide, worth more than $1 trillion with double digit compound annual growth rates ("CAGRs"): (1) Milk and Milk Alternatives (Plant Milk); (2) Rice & Grains; (3) Better-for-You Snacks.

The Company's brands and products are well aligned, with key commonalities and efficiencies that work together to accelerate the Company's growth and profitability objectives. The Company executes all aspects of creation and delivery of their products and brands from product formulation and ingredient sourcing through sales, marketing, and logistics, and utilizes Global Food Safety Initiative ("GFSI") certified co-manufacturers and third-party logistics warehouses to execute finished goods production and distribution, thereby reducing overhead cost requirements, capital expenditure investments, and operational complexity. In addition to the Company's full-time Sales and Marketing teams, the Company has also established a network of top-level third-party specialized sales agents, consultants, and brokers to accelerate sales into Foodservice operators, Grocery retailers, and Distributor partners.

All of the Company's products are targeted at the same core 'Flexitarian' consumer (defined as someone who is intentionally incorporating more plant-based foods and vegetables into their diets); currently more than 50% of consumers aged 24-39 identify as Flexitarian[1]. The Company's products are all plant-based and nutrition-forward, specifically honed and developed to target the Food and Beverage categories with the biggest opportunities and needs for breakthrough 'pantry staple' products with high levels of everyday consumption and ability to scale in Foodservice as well as Grocery Retail.

The Company has built a platform that enables efficient execution across multiple brands that share the same core markets and channel opportunities as well as a common distribution chain (shelf-stable/dry). The Company's brands share efficiencies in all aspects of the go-to-market approach, including consumer and trade marketing to a common customer base, and these alignments support and accelerate growth and profitability across brands. This platform approach is also constructed to enable both easy tuck-in and/or divestment of aligned brands, given market opportunities.

The Company has also built and continues to develop, protect, and refine a substantial Intellectual Property (IP) platform through its execution and delivery of breakthrough food and beverage products that reflect this IP. The Company has engaged a third-party IP valuation company to provide both an overall valuation of the Company's IP along with a a ranked IP Score that reflects, among other attributes, the quality and protectability of its IP. The Company expects to receive the results of this valuation in September 2023 and will share these through a press release and webinar.

The Company's products are currently distributed in more than 15,000 Grocery Retail doors and 70,000 Total Distribution Points ("TDP") across retailers in the United States, and in late 2022 the Company started to add retail distribution in Canada with the introduction of Canadian-compliant bilingual packaging for top items in the Hope and Sesame®, RightRice®, and Mozaics™ brands. Products are also widely distributed through ecommerce channels and alternative channels like QVC (home shopping).

In 2022, with a Grocery Retail footprint established and able to answer the consumer question 'where can I find your products at a store near me?', the Company focused on developing its products in the Foodservice arena. Foodservice channel development and placement can take significant time and effort to penetrate, but the Company's products are uniquely suited to the Foodservice space, from integrating seamlessly into operations, filling key needs, offering potential for menu enhancement and competitive edge with consumers to optimization to supply chains, with low labor required for preparation (a primary and growing concern across Foodservice operators who are experiencing widespread labor shortages).

Additionally, the unique nature of the Company's innovations makes them recognizable to consumers in Foodservice outlets, and concurrently develops both the category and consumer awareness: Hope and Sesame® Sesamemilk is the only commercialized sesame milk, Mozaics™ chips are supplied at 'grab & go' in their branded packaging, and RightRice® is such as unique innovation that it is listed on menus by name (see CAVA Restaurants (NYSE: CAVA) customer menu favorite Chicken and RightRice® Bowl). The Foodservice channel can offer other tactical benefits to food and beverage brands, including faster payment terms, lower development investment costs, lower or no mandated promotional spend, and its distributors typically pay on time and in full on net 30 terms.

The Company began laying the groundwork to enter the Foodservice channel in the first half of 2022, and by the end of 2022 had achieved significant breakthroughs, including acceptance and listing of its products with DOT Foods, the largest Foodservice redistributor in North America, servicing more than 4,500 distribution warehouses and through them, 200,000 end user locations. DOT is a key linchpin to opening up and rapidly scaling Foodservice distribution, and this and other strategic moves, including adding regional distributors in multiple key metro markets that service independent cafés, have enabled the Company to position itself and its products well for growth ahead in multiple segments of Foodservice.

In the first half of 2023, with investor priorities in the capital markets shifting to near-term profitability over investment in growth, the Company realigned its sales mix and resources to focus on striving to achieve profitability by the end of 2024/early 2025, and took the following steps:

- Shifted more resources to the Foodservice channel, which in comparison to Grocery Retail has lower investment requirements to enter and scale in the channel, higher per-customer usage and velocity, and much faster profitability;
- Reorganized its Sales team around Foodservice execution, including transitioning some Grocery Retail-focused sales staff and adding accomplished Foodservice leaders to the team, who brought demonstrated recent experience in scaling pioneering brands across Foodservice channels;

[1] Dairy Foods News: Flexitarianism Going Mainstream

- Realigned its Grocery Retail business to focus on profitability, curtailing any excessive promotional programming, trade spend, and distributor incentives that didn't drive meaningful profitable revenue;
- Honed its product mix to the top-selling SKUs with realized scale margins, tabling slower-selling products that require additional long term development investment to achieve scale profitability; and
- Implemented a framework to evaluate new Grocery Retail distribution opportunities on an annual profitability level, supported with reasonable promotional programming, prioritizing opportunities with low-cost distribution and no onerous slotting and promotion requirements.

Going forward in the second half of 2023, the Company is focusing on driving profitable Grocery Retail channel expansion, concurrent with opening up and ramping expansion of its products across Foodservice channels as key priorities.

To further support the Foodservice strategy, in August 2023 the Company completed the acquisition of the assets of Argo Tea®. Once a multi-national tea café chain, Argo had significantly downsized its business during COVID. The assets acquired by the Company included a full café licensing program with active operating licenses in eight major colleges and universities in the US, reaching more than 170,000 students and 10,000 administrators. The licensing program (structure/design/operating manual), marketing, and menu design and development is executed by Argo Tea (now the Company) as licensor, in return for a licensing fee from the café operating partner/licensee (percentage of revenue).

The cafés themselves are typically owned and operated day-to-day by managed foodservice operators who also manage the overall college foodservice operations. Thereby through the Argo acquisition, Planting Hope also acquired master contracts with several of the largest managed foodservice providers, each a multi-billion dollar company controlling more than $10 billion in annual spend on food and beverages across a multi-national footprint. Additionally, the Company acquired a key employee with a 16-year history with Argo Tea, who has joined Planting Hope as a VP of Foodservice Operations to manage and expand the Argo Tea café footprint and the presence of the Company's brands in these cafés and in the larger landscape of the managed foodservice operator opportunities.

Planting Hope's achievements in the Foodservice channel to date have set up the Company to strive to accelerate distribution to Foodservice end user customers, from cafés to Fast- Casual and Quick Service Restaurants ("QSRs") to institutional and managed Foodservice operators, with anticipated resulting higher net margins, low investment costs, high velocities and accompanying ancillary trial and awareness-driven marketing benefits. Like with Grocery Retail, it takes time to get in front of customers and get placement on menus. However, given the vast breadth of opportunities and customers available to the Company and the unique nature of its products, the Company believes that it is structuring the initial core platform that will enable it to start to build a profitable, long-term, and scalable Foodservice business ahead.

The Company's products have global opportunities and applications, and represent meaningful breakthroughs in their categories, all of which are major consumer 'kitchen pantry' and Foodservice staples globally. Ultimately, the Company intends to scale its brands in Foodservice, Retail, and Alternative Channels in the US and North America, and then to expand internationally, primarily through strategic partnerships and relationships that enable rapid and effective in-country execution.

The Company's four core brands are:

- Hope and Sesame® Sesamemilk: After 5 years of development and testing, in 2022 the Company launched Hope and Sesame® Sesamemilk, well-positioned to be the first major disruptive new subcategory in the $6.5 billion U.S. Plant Milk category since oat milk entered the North American market in 2016. Oat milk scaled globally from $45 million to $6 billion in a short seven-year period through offering cafés a demonstrably better tasting and better performing product than existing alternatives in terms of frothing, foaming, steaming. Sesamemilk's attributes are similar to those which accelerated the launch and scaling of oat milk in the global Plant Milk category, plus sesame milk taste delicious and is effectively the most planet-friendly of all of the currently available Plant-Based Milks. The Company believes that Hope and Sesame® Sesamemilk has a similar opportunity to oat milk to displace competitive products and gain breakout traction with retailers, cafés, and consumers.

  To create the first commercialized sesame-based plant milk globally, the Company partnered with top beverage scientists and flavorists, investing millions of dollars and more than 5,000 hours into R&D, production, testing, and trials, which began in 2017. This work resulted in a line of seven flavors of Hope and Sesame® Sesamemilk that have now been commercialized and released, including a Barista Blend that is specially formulated to froth, foam, steam, and perform in both hot and cold café beverages, plus a pipeline of extension products, all of which have proprietary formulations and incorporate cutting-edge ingredient technology.

  Sesame milk is nutritionally superior to the largest Plant Milk subcategories (3 to 8 times more complete protein than oat milk or almond milk), with demonstrably better sustainability. A highly effective cover crop, sesame thrives in hot dry climates around the world with little water and requires no water to process the seed; Hope and Sesame® Sesamemilk upcycles the base protein remaining after sesame seeds are crushed to extract sesame oil. Since the full commercial release of the initial Hope and Sesame® product line in 2022, Hope and Sesame® Sesamemilk has won multiple industry awards for performance in hot and cold café beverages as well as for delicious taste.

Consumer Reports, the leading independent publication for consumer product information, featured the sesame milk subcategory of Plant Milk (launched by Hope and Sesame®) along with Hope and Sesame® Sesamemilk in the article 'Is Milk Good For You?', included in their September 2023 'Live Healthier Longer' issue. Sesame milk, described has having a 'toasty flavor', is called out as a core subcategory in plant milk next to almond, oat, soy, cashew, and coconut. Hope and Sesame® is featured as the category leader in sesame milk, 'one of the newest types of plant milks to hit supermarkets.'[2]

Aside from the supermarkets and the Grocery Retail channel, Hope and Sesame® Sesamemilk, in particular its Barista Blend, is targeted at large scale opportunities in the Foodservice and Café channels. Hope and Sesame® delivers superior performance, better nutrition, and better sustainability than currently established Plant Milk subcategories, particularly almond milk and soy milk, both of which have challenges with nutrition and sustainability as well as with taste and performance in café beverages. Cafés and snack shops are becoming more important as social and food centers to Gen Z, and the total number in the U.S. now exceeds 72,000[3], with more than 30,000 of those independent (non-chain) cafes, representing a critical and fast evolving market opportunity for plant milks.

The Company sees a significant opportunity for sesame milk to acquire market share from almond milk, a subcategory which is starting to decline in market share (down 3% year-over-year at Grocery Retail) even as the overall category expands, given almond milk's weaknesses in taste, nutrition, performance, and sustainability. However, almond milk still has a 58% share ($1.6 billion) of the U.S. Grocery Retail Plant Milk market[4], making this subcategory alone larger than the entire U.S. Plant- Based Meat Category ($1.4 billion[5]).

The Plant Milk category is continuing to project aggressive growth and is taking share from Dairy Milk. Currently estimated at more than $6.5 billion in the U.S. ($3.5 billion in Grocery Retail[4], $3 billion in Foodservice[6]) and upwards of $35 billion globally, Plant Milk is scaling at a CAGR of 15% and is projected to exceed $120 billion worldwide by 2030[7]. The total global Fluid Milk market is currently estimated at $330 billion, growing at a 6.9% CAGR, and is projected to reach more than $500 billion by 2030[8]. Today, Plant Milk is 10.6% of the Fluid Milk market, but by 2030 is estimated to grow to more than $120 billion, or 24% of the total global Fluid Milk market.

Nascent just over a decade ago (the global Plant Milk market was estimated at $7.4 billion in 2010[9]), the enormous growth in Plant Milk is driven by multiple factors, from accelerated consumer interest in incorporating more plant-based nutrition sources into their diets given health & wellness and sustainability concerns, to a growing level of dairy and lactose intolerance, estimated to impact as much as 75% of the world population per the National Institute of Health[10]. Given the high usage rates of Plant Milks as both culinary pantry staples (plant milks are now found in more than 41% of U.S. households[11]), and in coffee shops, (plant milk usage in independent cafés is reported to be ordered in more than 50% of milk-based beverages[12]), this category is clearly on a trajectory to continue to accelerate and evolve quickly.

Hope and Sesame® is currently the only Plant Milk globally to achieve Upcycled Certification from the Upcycled Food Association. To the Company's knowledge, Hope and Sesame® Sesamemilk is also the only commercialized sesame-based plant milk worldwide with sesame protein as the core ingredient and offering comparable nutrition to dairy milk with 8g of complete protein per serving. Sesame is prized as a culinary ingredient worldwide and is on-trend as a taste profile that is fast-emerging in beverages and food products, with leading coffee chains and café suppliers launching sesame-focused and Asian-themed beverages recently, from Torani's 2023 'Flavor of the Year': Toasted Black Sesame Syrup[13], to Dunkin's Matcha lattes[14]. All of these factors, combined with the quality, taste and performance of sesame milk position Hope and Sesame® Sesamemilk as an excellent product to become the 'next big thing' in Plant Milk globally.

[2] Consumer Reports: Which Milk Should You Drink?
[3] IBIS Worldwide: Number of Businesses Coffee Shops
[4] SPINS Total MULO + Natural Channel 52 weeks Ending 10/02/22
[5] Plant Based Foods 2022 US Retails Sales Data Report
[6] Company estimates based on Foodservice café usage of plant-based milks
[7] Strategic Market Research: Plant-Based Milk Market Sales Data Dec 2022
[8] Statista Milk – Worldwide Report Aug 2023
[9] National Library of Medicine Plant-based Milk Alternatives An Emerging Segment of Functional Beverages Sep 2016
[10] National Institutes of Health: The Interrelationships Between Lactose Intolerance and the Modern Dairy Industry
[11] Plant Based Foods 2022 US Retails Sales Data Report
[12] Fresh Cup: Should Coffee Shops Charge Extra for Plant Milks
[13] The San Francisco Standard: It's in Your Coffee, Ice Cream and Cocktails. Meet the It Flavor of 2023.
[14] Dunkin Donuts News: The Story Behind Dunkin's New Matcha Topped Donut

- RightRice® High Protein Veggie Rice: RightRice® swaps one-for-one for white rice in culinary applications, but the RightRice® grains are made from a combination of lentils, chickpeas, and peas with just a touch of rice flour (less than 10%). RightRice® cooks up ready-to-eat in under 10 minutes, just add boiling water, and it serves well both hot and cold. RightRice® is a good source of protein and an excellent source of fiber, providing 11g of complete protein and 6g of dietary fiber per serving, which is more than three times the protein in white rice with 40% fewer net carbohydrates.

  Ounce-for-ounce, RightRice® contains comparable protein to salmon and more than twice the protein in eggs, and unlike RightRice®, animal proteins are not a source of dietary fiber. RightRice is also nutritionally superior to plant-based meats, containing 20% to 30% more protein than Beyond Meat or Impossible burgers plus more than four times the dietary fiber. In addition to functioning as a grain, RightRice® can be an effective alternative protein to animal or plant-based meat in a meal, effectively acting as a center-of-plate protein source.

  RightRice® represents a category-disrupting innovation in the Rice category, with the opportunity to impact quinoa, cauliflower rice, and other rice alternatives or substitutes. With more than $1.5 million and over 2,000 research and development hours invested in the development of RightRice®, the product has a unique formulation and production process that is challenging to replicate. RightRice® has attracted widespread consumer and Grocery Retailer attention and is established on the menus of Fast-Casual restaurant chains like CAVA (NYSE: CAVA) by name. RightRice® is garnering awareness from other Foodservice operators for its ability to effectively provide the protein of a centerplate item with low labor required to prepare and provide consistent quality.

  The traditional farming processes for white rice come with significant sustainability issues: rice is one of the world's most heavily consumed grains, but the process of growing rice through flooding rice fields both uses a large amount of water for irrigation and creates conditions for methane production. The flooding enables bacteria to thrive and process organic matter through anerobic digestion, releasing methane as a result. Ultimately, rice farming is responsible for more than 10% of global methane emissions[15].

  Since RightRice® is composed of primarily (90%+) water-efficient crops (lentils, chickpeas, and peas), it has a dramatically smaller environmental impact than that an equivalent portion of white rice, and delivers significantly more and higher-quality nutrition. RightRice® performs particularly well in Foodservice applications, offering an easy-to-prepare, consistent, reliable, and delicious product which is an effective alternative to white rice, brown rice, quinoa, and cauliflower rice in bowls, salads, tacos, and other preparations. The U.S. quinoa market alone is estimated at more than $800 million and growing[16]; plant-based meat is currently $1.4 billion; the Rice market in the U.S. is estimated at $6.1 billion[17].

  To the Company's knowledge, RightRice® Veggie Rice is the only veggie-based rice alternative that provides a complete protein (equivalent to animal sources) from a combination of nutritious vegetables and pulses plus rice flour - effectively 'rice and beans' in the same grain. Highly popular with consumers for easy at-home use, great taste and menu flexibility, RightRice®'s dry supply chain and ultra-fast, simple, and consistent preparation provides unparalleled operational convenience to Foodservice operators.

- Mozaics™ Real Veggie Chips: The number one ingredient in Mozaics™ popped potato chips are real veggies (peas, beans) that you can see in each chip. Real veggies = real nutrition, delivering protein (3g to 4g per serving) and a good source of dietary fiber (3g to 4g per serving) from 'guilt-free' low calorie potato chips.

  Mozaics™ are packaged in sustainable NEO plastics film, which degrades in waste streams without special handling, releasing a biogas that can be harvested in landfills as a clean energy source. Mozaics™ offer a better-for-you chip that also tastes great and provides an effective solution to the packaging sustainability challenge facing the Potato Chip segment of Salty Snacks, a subcategory estimated at more than $12 billion in North America alone[18].

- Veggicopia® Real Veggie Snacks: Veggicopia® makes delicious, nutritious servings of veggies portable and convenient to eat anytime, anywhere. These long shelf-life veggie-based snacks require no refrigeration and deliver clean nutrition, packaged in single-serving portions that minimize food waste. Veggicopia® products represent significant breakthroughs in the Healthy Snacks space, a rapidly scaling market currently estimated at more than $20 billion.[19]

  - Veggicopia® Dip Cups (hummus, black bean, etc.): breakthrough shelf-stable dip cups based on beans and pulse ingredients, delivering great nutrients including protein and fiber. Veggicopia® dips are both delicious and extremely portable, with proprietary ingredient technology and packaging that enables them

[15] World Bank Blogs: Greening the Rice We Eat
[16] Fact.Mr: Quinoa Market Outlook 2022-2032
[17] Statista: Rice – United States
[18] Market Data Forecast: North America Potato Chips and Crisps Market
[19] Grand View Research: Health Snacks Market Size & Share Analysis Report, 2030

to be shelf-stable, no refrigeration required, with a shelf life of 24 months (up to 24 times the shelf life of refrigerated dips). Not only are Veggicopia® dip cups more planet-friendly than refrigerated dips (which currently represent more than 99% of bean dip sales), but the extended shelf life and the shelf-stable nature of the products opens many channels and opportunities not available for refrigerated products. Veggicopia® dip cup's unique ingredient technology and recipes are proprietary to the Company, developed in partnership with a Michelin starred chef. The resulting Veggicopia® dips are comparable or better-tasting than refrigerated bean-based dips, a market worth more than $5 billion globally today, growing at a 7.6% CAGR and anticipated to crest $8 billion by 2028[20].

- Veggicopia® Greek Snack Olives offer shelf-stable, long shelf life, brine-free portions of keto- and paleo-friendly olives that can be consumed anytime, anywhere. Each packet contains around ten olives, great for healthy snacking or use in recipes, from martinis to salads. Veggicopia® olives are packaged in Greece within a close radius of where the olives are grown and harvested, then cured in natural agents (salt or wine vinegar) and packaged in high-barrier, long shelf-life packaging. This natural curing process is part of the Greek standard of identity for olives, differing significantly from common pasteurization and chemical curing techniques used in olive canning practices in other parts of the world (some of which have been tied to increased levels of acrylamide, a substance linked to cancer risk, per the National Toxicology Program's Report on Carcinogens[21]).

In total, the Company's products address markets that in the United States alone are estimated at an aggregate of $30 billion in 2022 and represent some of the fastest growing food categories in Food and Beverage globally.

BUSINESS HIGHLIGHTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

After seven consecutive quarters focused on achieving topline revenue growth and effectively establishing the Company's brands across Grocery Retail, Ecommerce, and Alternative Channels, the Company shifted its focus in early 2023 to drive towards profitability. The Company set a target of reaching ongoing EBITDA profitability over the next seven quarters, striving to hit that goal in late 2024/early 2025 while maintaining ongoing growth.

The Company is placing emphasis on faster acceleration in the channels with the largest and most scalable transactionally profitable opportunities, like Foodservice. In parallel with scaling currently profitable business and channels, the Company is striving to ensure that both current and new Grocery Retail and Alternate channel distribution is profitable with manageable levels of retailer trade spend and distributor incentives.

Business analysis and strategic alignment:

The Company has invested in the integration of software and management decision-making tools to support its growth, including the implementation of the NetSuite ERP system across its operations. Started in September 2022, the implementation was rolled out in stages until fully complete in Q2 2023, and functions include Financial Reporting, Inventory Management, Sales Reporting, and Order Processing and Management. This successful implementation is providing the Company with more and timely Customer Sales performance and Operations data to support management decision-making.

In early 2023, the Company made a strategic decision to evaluate all channels and accounts for excessive trade spend and promotional programming that was leading to transactionally unprofitable business. The majority of excessive promotional programming identified in Grocery Retail was associated with the RightRice® business, through commitments made in 2021 for the 2022 calendar year by the original RightRice® management team (and inherited in January 2022 by Planting Hope). These layered commitments included multiple distributor and retailer programs, trade spend, discounts, and incentives, collectively driving some incremental topline revenue but eroding overall brand profitability in the Grocery channel. The Company stripped back and eliminated excessive RightRice® Grocery channel promotional programming and incentives at both the distributor and retailer levels, re-aligning to industry-appropriate levels of annual account contribution and profitability. When the realignments are complete, the Grocery channel as a whole for RightRice® is anticipated to be transactionally profitable at an improved level.

The strategy adopted by the RightRice® team is not an uncommon one for early-stage food and beverage brands striving to get retailer and distributor attention and to drive Marketing awareness with consumers through in-store promotions, but there are alternative paths that are more profitability-forward, and long-term excessively deep retail and distributor promotional and incentive strategies have diminishing returns and are not sustainable, particularly when capital is not readily available to support this level of market spend. The Company's Management is experienced at strategic retail execution with profitability at its core, and in RightRice®'s case saw opportunities to drive profitability through altering strategic promotional execution. Although some sales impact will be seen in the short term while these re-alignments are in process

[20] The Insight Partners: Hummus Market 2021 Industry Share and Trend to 2027
[21] New Hope Unlimited

and occupying Management attention, in the long term these adjustments are not anticipated to negatively impact overall market development strategy and are expected to lead to profitability gains and an overall financially stronger channel picture.

Additionally, the RightRice® management team had required shipping programs that effectively forced the over-loading of slower moving Shop-Keeping Units ("SKUs") into individual distributor warehouses, ultimately leading ssto short code date-related chargebacks for items with insufficient distribution opportunities in those warehouses at the time to justify the high inventory levels. The Company adjusted the shipping policies to ensure better managed inventory levels appropriate to the opportunity in each warehouse location.

In the interest of driving near-term profitability and allocating resources to these opportunities, the Company has also taken steps to tailor its product suite across brands and focus on near-term development of the most profitable SKUs with the highest current and future potential velocity across channels, including Foodservice. This includes tabling slower-moving products that require significant long-term investment to achieve velocity hurdles and profitable production scale, to be revisited in the future once the Company has turned the corner on profitability on its core business. An initial round of SKU rationalization cut out the lowest velocity RightRice® flavors and discontinued those from retail channels. Additionally, the Company put the refrigerated Hope and Sesame® Sesamemilk (packaged in 48 oz PET bottles, refrigerated storage and cold chain required) on hold, pending more profitable and sustainable packaging options.

In addition to the above strategic analysis and adjustments, the Company realigned both financial and people resources internally across Sales and Marketing and Operations to focus on driving larger, near-term profitable opportunities faster.

In making operational improvements to the Grocery Retail business, the Company is also exploring regional retail distributor opportunities with lower cost structures to reach Grocery Retail clients, which could add to overall Grocery Retail channel profitability.

These strategic realignments effectively prioritized distribution to and development of channels with near-term profitability opportunities and lower investment requirements including Foodservice, and improving overall Grocery Retail current and future profitability with the goals of:

1) Establishing the Company as a profitable entity, targeting resources to build a strong foothold and customer following in Foodservice, while maintaining current profitable Grocery Retail distribution and continuing to scale profitable Ecommerce and Alternative Channels
2) Focusing Grocery Retail growth on incrementally accretive opportunities in meaningful development markets with strong retail partners who have low-cost distribution and minimal trade spend requirements, and striving to find opportunities to improve distribution costs to retailers (and collectively expand channel profitability);
3) Returning to invest in broader expansion across Grocery Retail (with targeted channel development budgets) once the Company's products are further established with consumers through Foodservice, Ecommerce, Alternative, and other transactionally profitable channels, resulting in built-in velocity and customer recognition and reducing the need for deep investments in in-store marketing to drive initial trial.

Foodservice Channel Focus:

Today, more than 56% of meals in the U.S. are eaten outside of the home[22]. The Foodservice channel, identified as a core priority by Management, encompasses outlets from quick-service and fast-casual restaurants to coffee shops and cafés to 'grab & go' to managed and institutional Foodservice (colleges, institutions, corporations).

The Foodservice channel is a priority for the Company for reasons that include:

- The Company's products were designed to be ideal fits for the channel, with significant opportunities to scale with unique, breakthrough, relevant, on-trend items;
- Higher realized net margins;
- Faster adoption (in single locations/small chains);
- Faster scaling and velocities by customer *(as an example: one average café could sell through the same weekly velocity of Hope and Sesame® Barista Sesamemilk as 20 retail stores);*
- Large single customer development opportunities;
- SKU concentration leading to supply side efficiencies and near-term margin improvements;

[22] USDA Economic Research Service: 2022 U.S. Food-Away-From-Homem Spending

- Lower channel development costs;
- Limited/no charge backs or promotional programs required outside of sampling;
- Provides exposure ('free marketing') to consumers through the integration of products on menus;
- Fast payment terms, on time/in full, without deductions; and
- Opportunities to partner with distributors to develop the channel, from regional coffee distributors to DOT Foods (redistributor) and broadline distributors.

It should be noted that product demand in Foodservice channels is typically concentrated on a limited number of core 'workhorse' products and bestsellers for each product line or brand (i.e. Original RightRice® High Protein Veggie Rice, Hope and Sesame® Barista Blend). The Foodservice channel does not have the continual demand for new finished goods flavors or varieties to expand assortments and attract new customers that is seen in Grocery Retail. Rather the focus is on products that are levered as ingredients in creative menu development conducted at the operational level (as for Hope and Sesame®, RightRice®) or the core bestselling flavors in 'grab and go' ready-to-eat items (as for Mozaics™ Real Veggie Chips, Veggicopia® Veggie Snacks). Fewer SKUs are required to meet customer needs effectively, and typically buying is in bulk amounts/larger case packages versus retail, providing cost and pricing efficiencies that are realized and scale more quickly.

Results of changes:

Results of these shifts will be seen throughout 2023 and the stage is set to strive for growth to quarterly profitability by early 2025. Q2 2023 is the first quarter to markedly reflect the strategic shift to higher profitability customers and channels and the concurrent elimination of promotional and trade spend programs that in certain instances drove sales revenue but not net profitability. As anticipated, the implemented changes resulted in lower quarterly gross sales revenue as the Company pulled back on trade spend in Grocery Retail, including removing the standard quarterly promotion that typically resulted in distributors and retailers forward-buying at a discount and loading up distribution warehouses. However, the anticipated long-term net result will be higher profitability on future sales revenue from the Grocery Retail channel, as less revenue is subject to dilution from aggressive promotions.

Given that demand for the Company's products continued to rise in Foodservice, Ecommerce, and Alternative Retail during the first half of 2023, gross revenues still grew year-over-year concurrent with the realignments.

The Company also continued to focus on reductions within Selling, General and Administrative ("SG&A") expenses resulting in $0.5 million of savings in Q2 2023 and $1.2 million of savings for the six months ended June 2023. Q2 2023 SG&A reductions were realized in payroll, sales and marketing spend, and in general expenditures. These expenditure reductions are not expected to have negative long-term impacts on the Company.

<u>During Q2 2023, the Company reported the following results versus Q2 2022:</u>

- Earned $2.7 million of gross revenues, a decrease of 19% in comparison to $3.3 million earned in Q2 2022.
- Earned $1.6 million of net revenues, a decrease of 37% in comparison to $2.5 million earned in Q2 2022.
- Reduced SG&A expenses by 16% (approximately $0.5 million).
- SG&A expenses as a % of revenue increased by 3%.
- Reduced interest and accretion expenses by 15%.
- Adjusted EBITDA of ($2.4) million compared to ($2.2) million in Q2 2022, an increase of 11%.

<u>During the 6 months June 2023 the Company reported the following results versus the 6 months June 2022:</u>

- Earned $6.0 million of gross revenues, an increase of 1% in comparison to $5.9 million earned in the 6 months June 2022.
- Earned $4.0 million of net revenues, a decrease of 11% compared to $4.4 million of net revenues earned in the 6 months June 2022.
- Reduced SG&A expenses by 19% (approximately $1.2 million).
- SG&A expenses as a % of revenue decreased by 21%.
- Reduced interest and accretion expenses by 32%.
- Adjusted EBITDA of ($4.3) million compared to ($4.6) million in the 6 months June 2022, an improvement of 6% ($0.3M)

Q2 2023 highlights include:

- Expanded distribution of Hope and Sesame® Barista Blend Sesamemilk into key distributors, influential partners, and leading independent and chain cafés across the U.S. and Canada that service Gen Z consumers, including:

  Regional Distributors:

  - Distribution Bloom (Montreal, QB) – reaches 150 coffee shop customers across Quebec (potential Hope and Sesame® customers).
  - The Roasters Pack (Toronto, ON) – reaches 60 coffee shop customers across Ontario (potential Hope and Sesame® customers).

  Examples of leading trend-setting cafés and coffeeshops adding Hope and Sesame® Sesamemilk to their menus:

  - Pop Up Grocer (*Exclusive Alt Milk*; New York City, NY)
  - The Green Line Café coffee chain (*all locations*; Philadelphia, PA)
  - JinJin Matcha's Matcha + Tea Room (Tacoma, WA)
  - Two Sparrows Cupcakes & Coffee Bar (Nainamo, BC)
  - Hideout Coffee (Boise, IA)
  - 10 Dean Café (Toronto, ON).

- Continued to serve and expand RightRice® High Protein Veggie Rice in Foodservice and CAVA Restaurants (NYSE: CAVA) nationwide. It should be noted that CAVA Restaurants had a successful IPO listing on the NYSE on June 15, 2023, raising expansion capital to more than triple their current store footprint of 270 stores by the end of the decade.

  A primary ideal application of RightRice® in Foodservice that has the potential to drive significant volume is in 'Bowls', a top menu trend from restaurants to corporate and college campuses. More nutritious and easier to handle operationally than cauliflower rice (which requires frozen supply and has a shorter shelf life), with a stronger supply chain and typically competitive or lower-priced than quinoa, RightRice® also supplies a complete protein. With 11g of complete protein per serving, ounce-for-ounce RightRice® has comparable complete protein to salmon, 3 times the protein in tofu, and 25% more protein than most alternative meats, like Beyond Meat or Impossible Burger.

- Expanded Retail distribution of Mozaics™ Real Veggie Chips with the addition of H-E-B grocery stores, which have the highest foot traffic in the state of Texas, adding three flavors across 243 doors for a total of 729 new TDP. The premiere grocery chain in the state of Texas, H-E-B is an excellent example of a great Grocery Retailer to partner with as an emerging brand, as H-E-B has low-cost distribution and does not charge onerous program fees for promotions. This is the type of accretive, positive, retailer partnership that the Company is prioritizing to build going forward. H-E-B also carries RightRice® in its stores, and the addition of Mozaics™ further deepens the Company's relationship with H-E-B stores, as well as increases Mozaics'™ presence in the Texas market, a 'Top 10' target geography for the Company's products.

- Achieved 7% topline growth in Direct-to-Consumer Ecommerce sales on PlantingHopeBrands.com from Q1 2023 to Q2 2023 through increased focus on content planning, promotions, and user experience. Notably, the Company grew its average order value by 6% and its conversion rate by over 100%. Additionally, the Company is continuing to see strong (~5%) Return On Ad Spend (ROAS) on Amazon.com with demonstrated customer loyalty and repeat purchase rates of 39%. Company products sold online have achieved an average customer rating of 4.8 out of 5 stars. Ecommerce is a profitable area for the Company and has multiple operational and customer development benefits; this is a potential area to scale more aggressively in the future with incremental marketing investment.

- Reduced and managed spend on SG&A expenses, including marketing, professional fees, freight, and payroll to align with resources and path to profitability.

- Planting Hope's team showcased menu solutions featuring RightRice® High Protein Veggie Rice, Hope and Sesame® Sesamemilk, and Mozaics™ Real Veggie Chips to hundreds of Foodservice channel decision makers during the 2023 DOT Foods Innovations Show. DOT Foods is the linchpin to reaching the entire Foodservice channel in North America, a major focus for the Company's expanded growth and profitability, providing direct access to more than 4,500 distributors and 200,000 Foodservice end user locations.

- Continued success on QVC with additional airings.

- Planting Hope Brands showcased multiple brands and products at the KeHE Foods Summer Show where Hope and Sesame® Chocolate Sesamemilk received the acclaimed 2023 KeHE Holiday Show On Trend® Award for the Dairy & Refrigerated category, marking the 12th major industry award for Hope and Sesame® since 2021. KeHE is one of the leading food and beverage distributors in North America, servicing more than 30,000 retail doors across the United States, from major grocery retail and specialty chains to natural retailers and independent grocery stores.

- Continued pioneering marketing program focused on getting products onto shopping lists outside of the store environment through targeting fitness, health, parent, and nutritionist influencers. The Company is not paying for coverage by these influencers: the influencers are receiving samples and opting to cover the products through posts, stories, reels, and placements. The Company partnered with and provided samples to 42 influencers in Q2 2023, with individual audiences ranging between 16,000-500,000 followers (more than 50% of these influencers are 'macro influencers' with more than 100,000 followers). These partnerships collectively earned Planting Hope brands well over 6 million social media impressions, at a total cost of $2,280 in product costs + shipping. The resulting cost per thousand impressions (CPM) was less than $0.38, an extraordinarily efficient and effective marketing spend. The Company's influencer reach in Q2 2023 included influencers like @cafecitocondaisyg whose Hope and Sesame® reel was so successful that it secured over 1.5 million views and grew her follower base by more than 10% (from ~90,000 followers to ~100,000 followers).
- Received articles and press mentions from notable publications including Redbook, Parade, Food & Beverage Magazine, Daily Mom, Good Housekeeping, and FoodNavigator-USA, resulting in over 1 billion total potential impressions. Good Housekeeping named Hope and Sesame® Sesamemilk as one of their "45 Best Gifts for Coffee and Espresso Lovers", while Parade named RightRice® Veggie Rice a "Healthy & Low-Carb Rice Alternative to Buy During the 2023 Shortage," and RedBook called Mozaics® Real Veggie Chips a "Hiking Snack for All of Those Happy Trails."

Team Hires & Role Changes:

To complement the strategic shift to Foodservice, in the first half of 2023 the Company reorganized its Sales and Marketing divisions to direct resources to building out the Foodservice channel and to focus internal expertise on managing profitability in the Grocery Retail channel (targeting transactionally profitable business and increased velocity). The Company also realigned its brokerage partners to strategically fit its business objectives, and added key Foodservice representation, as reflected below:

- **Changed Role: James Curley, Co-founder / EVP Sales**

  Mr. Curley has returned to leading the Grocery Retail channel for Planting Hope, which he did prior to the hiring of the former Chief Sales Officer. Mr. Curley has 45 years of Sales and Business Development expertise in Natural and Specialty packaged food brands distributed across Grocery Retail and related channels. As both an executive and a consultant, Mr. Curley has led multiple teams that successfully grew sales from the 'start-up' phase to run rates exceeding $50 million in annual revenue. A recognized expert in consumer product development in the Natural/Specialty CPG arena, Mr. Curley is a featured expert at industry events, focusing on start-up and scaling dynamics for early-stage brands and on successful execution with Grocery Retailers and Food and Beverage distributors.

  <u>Mr Curley's focus in this role includes</u>: 1) eliminating transactionally unprofitable retail business; 2) realigning retail sales to focus on customers delivering profitability; 3) realigning distributor relationships and strategy to improve profitability; 4) strategically adding new transactionally profitable Grocery Retail distribution in key markets; 5) overseeing the profitability picture and strategic growth for the full Sales function at Planting Hope.

- **Promoted/Expanded Role: Jeannie Andolena – SVP of Marketing + Ecommerce**

  Ms. Andolena joined Planting Hope in March 2022 as the Company's Vice President of Ecommerce and has been promoted to Senior Vice President of Ecommerce and Marketing. Her responsibilities include the execution of the Company's digital strategy, revenue, and profitability across online channels, as well as overseeing and managing the Company's trade, consumer, and social marketing efforts. Ms. Andolena's background includes extensive training in the Consumer-Packaged Goods industry and senior leadership roles at Jet.com, Walmart.com, and online food distributor VEDGEco.

  <u>Ms. Andolena's focus in this role includes:</u> 1) building an effective consumer marketing function leveraging low-cost, guerilla tactics including social media to drive brand awareness; 2) building brand partnerships; 3) driving E-tail revenue, with a twin focus on brand exposure and profitability, in channels from Ecommerce to QVC.

- **Added: Becky Harrison, VP of Foodservice**

  Ms. Harrison joined Planting Hope from Good Catch and Wicked Kitchen where she led the Foodservice initiatives for both brands. Prior to that, she developed the full Foodservice channel for Coconut Bliss (now owned by HumanCo). Ms. Harrison has expertise in pioneering, developing, and scaling brands across managed Foodservice operations, from colleges to Fast Casual dining to institutional Foodservice. Ms. Harrison is active in the Plant-Based foods industry, including the Plant-Based Foods Association.

  <u>Ms. Harrison's focus in this role includes:</u> 1) building out Planting Hope's brands across Foodservice channels; 2) adding and developing distributors and brokers; 3) developing scalable relationships with Fast Casual chains.

- **Q3 2023 - Added: Candace Pappas, VP of Foodservice**

  Ms. Pappas joined the Planting Hope team in August 2023 in tandem with the Company's acquisition of Argo Tea® assets (see the "Subsequent Events" section for additional information). Ms. Pappas brings 16 years of experience at Argo Tea® and has held positions throughout Argo Tea®, including most recently as President of Golden Fleece Beverages, Inc., the previous owners of Argo Tea®. Ms. Pappas developed the current licensee relationships and has extensive experience developing managed Foodservice relationships and securing related contracts, working through Aramark, Compass, Sodexo and their distributors, including Sodexo, Performance Food Group, and myriad others.

  Ms. Pappas' focus in this role includes: 1) managing the administration of the licenses for the current eight Argo Tea® locations on college campuses, including supporting the execution of the cafés by the managed Foodservice operators with marketing materials, menus, Limited-Time Offer (LTO) seasonal beverage recipes, supplies, and operational guidance; 2) expanding the Argo Tea® footprint by adding additional café licenses in colleges and universities and institutions; 3) expanding the relationships with the managed Foodservice operators to extend Planting Hope products into other applications and uses within the immense scope and scale of these managed Foodservice operators, each of which has more than $10 billion in annual revenues and multinational reach.

- **Departed: Mara Ebert - Chief Sales Officer.** Ms. Ebert resigned from her position at Planting Hope effective June 30, 2023, to take a trade marketing role at a natural foods company close to her home in the Eastern United States.

  In keeping with its refocus on Foodservice, the Company also parted ways with its Director of Natural Grocery and Grocery & Mass Director in the first six months of 2023. Both have subsequently taken sales roles with animal protein food companies.

New Sales Partners and Brokerage Relationships:

The following new expert brokers and leading sales partners are now contracted to represent Planting Hope products in their designated channels and markets:

- **Navigate CPG** – Industry leaders in developing strategic alliances with Costco with hundreds of successful products launched in Costco regions and divisions, including Regional warehouses, Business Centers, International warehouses, and Costco.com.
- **Allied Resources** – A strategic broker to the café Foodservice channel, including independent cafés, espresso bars, and tea shops, Allied is led by recognized café industry expert Tina Michaud who has over 20 years' experience in growing 'allied' consumer brands in these arenas (including coffee and related beverage ingredients, inclusions, and enhancements).
- **Focus Foodservice Associates, LLC** – A leading independent Foodservice sales agency in the Intermountain region of the US (UT, NV, ID, MT), Focus is working to develop all brands with the major Foodservice distributors and customers in QSR, Fast Casual, Hospitality, B&I, Industrial and Healthcare segments of the channel.
- **Lichtman and Associates Inc.** – A prominent sales agency to the vending, micro market and 'grab & go' Foodservice channels in Wisconsin, Illinois, Michigan and portions of Indiana, Iowa and Ohio.

OUTLOOK AND GROWTH

Throughout the balance of 2023, the Company's continued focus is on realigning its business for profitable scaling ahead, in particular on laying strong groundwork to scale Hope and Sesame®, RightRice®, and Mozaics™ in Foodservice, and growing Grocery Retail with a focus on transactionally profitable accounts and improving overall retail channel profitability. Strong focus is being paid to constructing a solid platform under the brands and the Company in order to scale the business rapidly and profitably after the achievement of ongoing break-even operations.

In looking at expansion opportunities, the Company is evaluating strategic relationships and opportunities that enable it to accelerate its Foodservice business. The Company announced in August 2023 that it had successfully closed an acquisition of the assets of Argo Tea®, a tea café company with a 20-year multinational brand, and taken over its master agreements with managed Foodservice providers. This opportunity opens up immediate active relationships with the top managed Foodservice operators (Aramark, Sodexo) and Foodservice distributors (Sysco, Performance Food Group), as well as previous agreements and relationships with Delaware North, Compass, and other managed Foodservice providers which became dormant due to COVID. In addition to a large North American footprint, each of these large managed Foodservice providers operates across multiple countries and geographies outside of the U.S., and each generates more than $10 billion in annual revenues, controlling multi-billions in annual food and beverage spend.

Key Priorities for the balance of 2023

Business building

- Key Priority: Hope and Sesame® Barista Blend in Foodservice - Partnering directly with distributors and brokers to open up new cafés and restaurants for Hope and Sesame® Barista Blend Sesamemilk, including a heavy focus on driving café sampling, trial, and development and launch of Limited Time Offer (LTO) specialty beverages featuring sesame milk to drive consumer awareness and adoption. The Company is continuing to build out its network of regional café distributors, and in August 2023 announced the addition of leading regional distributors Pete's Dairy (Pacific Northwest) and DWC (Midwest).

- Associated Program: The 'Barista 1000' – In Q3 2023, the Company launched their 'Barista 1000' marketing program, with a goal of getting 1,000 new independent café customers to adopt Hope and Sesame® Barista sesamemilk on their menus by the end of Q2 2024. In addition to initial samples, the cafés are receiving a trial offer that enables them to receive free cases to test an LTO with their customers at no cost. It should be noted that the average café uses 5-10 cases per type of barista milk per week (oat, soy, almond). Extrapolated to sesame milk, the incremental revenue projected from each additional 1,000 cafés is estimated to add a minimum of -$1M/quarter.

  In the first month of this program more than 2,000 leading influential café owners, decision makers, and baristas were sampled directly by the Company or through its distributors (delivering sample product to their customers). Sampling is the most cost-effective marketing tool available. Given the limited investment costs required to sample a café and sponsor a trial, each café is transactionally profitable on an ongoing basis within 6-12 weeks from adoption.
  The Company sees the goal of 1,000 incremental leading independent cafés as a tipping point number to kick off accelerated adoption across the channel given the number of customers served by each café and the geography covered by the footprint. Early adopter cafés are powerful influencers and overall tend to reach a discriminating and engaged audience.

- Key Priority: RightRice® High Protein Veggie Rice in Foodservice - Partnering directly with distributors and brokers to open up opportunities for RightRice® High Protein Veggie Rice in restaurants and managed Foodservice, including Fast Casual chains, building on the demonstrated success of RightRice® on both operational and consumer adoption levels in CAVA Restaurants and others. This includes the expansion of RightRice as an ingredient in prepared foods sold in Foodservice and at retail locations.

- Additional Priority: Hope and Sesame® Unsweetened Original Sesamemilk – In the second half of 2023, the Company will focus on building distribution into Foodservice behind Hope and Sesame® Unsweetened Original Sesamemilk, with potential applications in smoothie bars, juice bars, and cooking applications, delivering 8g of complete protein per serving in a Whole30 compliant, keto-friendly sugar-free format that meets sustainability goals.

- Additional Priority: Mozaics™ Real Veggie Chips – Mozaics™ continue to succeed with consumers (for the second year in the row, voted top Customer Favorite by QVC customers), and the Company will continue to develop distribution in Foodservice channels as well as targeted Retail where it makes sense. Foodservice in particular has long been in search of a 'healthy chip' that succeeds with consumers and can fit into grab & go sections adjacent to fried chips; Mozaics™ fill this gap. Currently Mozaics™ are distributed into corporate campuses with trials underway at multiple university campuses this Fall.

- Expand ecommerce and e-tail business; levering cost-effective social media marketing and influencer sampling to increase sales.

- Continue to build on success in social media marketing and influencer coverage through sampling to build awareness of all products. Goal: drive awareness of the products to increase online sales and to draw attention to the products outside of the crowded store environment where the consumer is focused on shopping their list, not on new item awareness.

- Target transactionally profitable retail opportunities, including clients like Warehouse/Club Retailers (i.e. Costco, Sam's, BJs), which do not require substantial initial upfront investment or support to deliver profitable sales.

- Continue accelerating consumer awareness of Hope and Sesame® Sesamemilk, driving trial, adoption, and usage though cafés with the aim of heightening future demand in grocery retail stores.

- Continue to expand e-tail and ecommerce distribution, including the Company's digital footprint and scaling the direct- to-consumer (D2C) business, Amazon.com presence and revenue, and expanding presence and sales on third party e-commerce marketplaces, both B2C (consumer) and B2B (wholesale).

- Implement internal infrastructure solutions to further build the Company's operational base to support effective and rapid scaling, including continued implementation of NetSuite ERP modules, continuing the installation initiated in late Q3 2022.
- Focus Product Development and innovation on new items or rollouts of new items acquired through strategic acquisitions on products with potential for significant scale within in Foodservice and direct application to the same customers and distributors already opened for current product lines.

Improved Profitability Through Strategic Cost Reduction:

- Continue to evaluate Grocery Retail and associated distributor programs for profitability, culling promotional programs without net positive return (i.e. associated increased retailer purchasing to support a visible and effective promotion), and cutting distribution that does not have a profitable near-term horizon.
- Renegotiate with Grocery Retail distribution partners and other vendors to cut costs where possible.
- Work with vendors and comanufacturers to identify areas to increase margin and reduce COGS on the production side.
- Identify lower cost distribution opportunities to reach retailers, including regional distributors.
- Cull unprofitable channels and/or products; focus inventory dollars on high-velocity, profitability-driving SKUs over developmental SKUs.
- Consolidate SKUs and production to a tailored combination of best-selling SKUs, allowing for more efficient production runs and lower COGS. It should be noted that the products with the most potential for significant scale in the Foodservice channel, including Hope and Sesame® Barista Blend Sesamemilk and Original RightRice®, are also the lower-cost SKUs within their product lines.
- Continue to evaluate ways to slim SG&A and variable expenses without impacting opportunity to grow profitability and long-term scaling.

Intellectual property valuation:

- The Company has engaged global intellectual property (IP) valuation firm Metis Partners to conduct an in-depth third-party valuation of the Company's deep bench of IP (Planting Hope Recognized for Food Technology Leadership, IP Valuation Underway).

  Metis Partners' process includes identifying both an IP Score reflecting IP quality, as well as an IP valuation range. Depending on the strength of its IP Score, the Company could earn a coveted spot on the Metis Partners IP100 list. The Metis Partners IP100 is an annual ranking of companies based on a rating of their IP asset strength and track record in exploiting IP and is recognized as the leading global intellectual property league table. Per Metis Partners, businesses featured on the IP100 are considered to be the most effective at commercializing their IP assets. The Metis Partners IP scoring process involves an assessment of IP-specific data linked to the following IP asset classes: brands, software, patents, trade secrets, and critical databases. The IP100 research team uses its proprietary process to calculate an IP Score and subsequent ranking for each company.

  Today the Company's deep IP bench is an unrecognized and unleveraged asset that it believes will be of significant size and value and be able to be used to secure additional non-dilutive debt financing. The Company expects to receive the results of the valuation in September 2023, and plans to host a webinar in September to review the Company's IP strategy and the outcome of the Metis valuation.

SUMMARY OF FINANCIAL INFORMATION

(expressed in $)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Revenues	2,718,897	3,344,517	5,955,590	5,875,260
Net revenues	1,563,258	2,480,929	4,002,102	4,481,453
Net income (loss)	(2,215,440)	1,149,329 (1)	(4,672,781)	427,533 (1)

(expressed in $, except shares outstanding)	June 30 2023	December 31 2022	December 31 2021
Current assets	3,842,513	4,074,311	6,969,780
Current liabilities	6,997,062	7,257,391	11,381,984 (3)
Working capital deficit (2)	(3,154,549)	(3,183,080)	(4,412,204)
Add back:			
Derivative liability	–	–	7,084,160
Convertible notes	–	–	2,845,522
Adjusted working capital surplus (deficit) (2)	(3,154,549)	(3,183,080)	5,517,478
Total assets	9,252,735	9,840,872	7,591,605
Non-current financial liabilities (2)	3,993,894	944,707	496,367
Share capital	35,123,450	34,307,944	22,636,830
Total SVS equivalent shares outstanding	113,955,129	111,968,971	82,300,948

(1) Net income reported in Q2 2022 and the 6 months June 2022 includes the recognition of $3.9 million and $6.3 million, respectively, gain related to the change in the fair value of financial instruments on convertible notes which were converted in November 2022.

(2) "Working capital surplus (deficit)" and "Adjusted working capital surplus (deficit)" are capital management measures. "Non-current financial liabilities" is a supplemental financial measure. See "Non-IFRS and Other Financial Measures" for additional disclosures.

(3) Current liabilities at December 31, 2021 includes a $7,084,160 derivative liability and $2,845,522 of convertible notes.

PERFORMANCE REVIEW

(expressed in $)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Net income (loss)	(2,215,440)	1,149,329	(4,672,781)	427,533
Add back:				
Interest and accretion	326,157	383,822	505,006	740,215
Amortization	139,118	133,758	276,707	245,468
Depreciation	43,171	35,410	86,069	72,352
EBITDA (1)	(1,706,994)	1,702,319	(3,804,999)	1,485,568
Deduct:				
Equity-based compensation	205,341	76,330	393,172	242,349
Total other income	(911,444)	(3,946,045)	(907,448)	(6,339,340)
Adjusted EBITDA (1)	(2,413,097)	(2,167,396)	(4,319,275)	(4,611,423)

(1) "EBITDA" and "Adjusted EBITDA" are supplemental financial measures. See "Non-IFRS and Other Financial Measures" for additional disclosures.

EBITDA for Q2 2023 was lower in comparison to Q2 2022 as Q2 2022 includes the recognition of $3.9 million gain related to the change in the fair value of financial instruments on convertible notes which were converted in November 2022.

Adjusted EBITDA for Q2 2023 is lower in comparison to Q2 2022 due primarily to the decrease in net revenues which was partially offset by a reduction in selling, general and administrative expenses specifically within advertising and marketing and general office expenses.

Gross Profit

(expressed in $)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Revenues	2,718,897	3,344,517	5,955,590	5,875,260
Trade spend	(1,009,054)	(757,743)	(1,617,480)	(1,253,207)
Spoilage and cash discounts	(146,585)	(105,845)	(336,008)	(140,600)
Net revenues	1,563,258	2,480,929	4,002,102	4,481,453
Trade spend as a % of revenues (2)	37%	23%	27%	21%
Cost of goods sold	(1,316,376)	(1,556,183)	(2,967,609)	(2,777,770)
COGS as a % of revenues (2)	48%	47%	50%	47%
Gross profit	246,882	924,746	1,034,493	1,703,683

(2) "Trade spend as a % of revenues" and "COGS as a % of revenues" are supplemental financial measures. See "Non-IFRS and Other Financial Measures" for additional disclosures.

Revenues

Revenue drivers for the 2023 periods include:

- Expansion of Hope and Sesame® Barista Blend Sesamemilk distribution in additional regional café distributors and coffee shops.
- Launch of RightRice®, Hope and Sesame®, and Mozaics™ with re-distributor Dot Foods.
- Launch of two top-selling RightRice® flavors into 4,581 CVS stores nationwide.
- Increased sales of Mozaics™, RightRice®, and Veggicopia® brands on e-commerce and e-tail platforms.
- Record-breaking number of national TV broadcast airings on QVC and QVC.com digital platforms.

Revenue earned in Q2 2023 was based on retail distribution and scaling in Grocery Retail, Foodservice, and E-commerce channels, primarily through ongoing growth accounts. Revenue decreases in Q2 2023 were primarily due to the strategic shift to curtail unprofitable retailer promotional programs and long-term developmental business requiring ongoing investment, in order to focus resources on higher profitability product segments and channels (i.e. Foodservice) and business that is transactionally profitable in the short term.

Trade Spend

Trade Spend consists of expenditures primarily associated with the Grocery Retail channel and includes 'slotting' expense for new store distribution, returns, shelf-worn chargebacks (spoils) and allowances, and promotional programs at retailer and distributor level, including periodic temporary price reductions and end cap (end-of-aisle) displays that drive trial and increased consumption. Trade Spend as a percentage ("%") of revenue increased in Q2 2023 in comparison to Q2 2022 due to one-time sales of the lower-velocity SKUs and developmental product lines the Company decided to discontinue; product that was not moved through existing distribution outlets was sold to Closeout retailers, who require more significant upfront discounts than ongoing Grocery Retail placements and partners with existing retail shelf placements.

When the Company acquired the RightRice® assets in January 2022, it also acquired a substantial number of undisclosed promotions and trade spend agreements with retailers and distributors for the 2022 calendar year, forward commitments that had been made in 2021 by the former RightRice® management team. After analyzing the extent of these programs over the subsequent 12 months, the Company determined that a significant number of these Grocery Retail programs were unprofitable. Promotional commitments made by the former RightRice® management team extended as far as Q1 2023, but no further. The Company subsequently assessed each retailer and distributor promotion programs on an individual basis, and eliminated promotional programs, products, or distribution that were net near-term unprofitable. Some of these programs were potential long-term opportunities but would require a substantial amount of development investment before realizing profitability. Some of these opportunities have been tabled to revisit with the appropriate budget and investment once the Company has turned the corner on overall profitability.

Going forward the Company is streamlining Trade Spend to focus on effective, meaningful retailer partnerships and promotions intended to increase sales but with an eye on annual profitability on an account-by-account basis. The Company is de-emphasizing expensive in-store marketing trade spend that attempts to attract consumer attention while they're shopping, in favor of attracting consumer attention and earning a place on their shopping lists before they enter the store.

The Company's primary direct and strategic marketing investments going forward are in tools that drive awareness of its products outside of the 'noise' of the crowded retail store environment where more than 20,000 SKUs compete for attention, including in cafés and restaurants.

The Foodservice channel, a primary focus for the Company going forward, does not require similarly deep levels of trade spend and promotional commitments; promotional activity is primary offered in terms of a discount or sampling to drive trial, customer testing and adoption. The Company is focused on developing recurring revenue and sales through Foodservice, a channel which spans all food prepared and consumed outside of the home, and which does not require similar Trade Spend slotting and promotional commitments as Grocery Retail, thereby delivering higher net accretive revenue.

Cost of Goods Sold

Cost of goods sold ("COGS") includes several different cost elements depending on the brand and its supply chain. COGS includes raw ingredients, toll processing and/or kitting, packaging materials and transportation as applicable, including freight for inbound packaging material and ingredients.

COGS as a percentage of revenues is impacted by the volume of product produced and sold and the variability of supply chain costs. COGS performance is dynamic and influenced by a number of factors such as commodity and freight pricing, third party agreements, labor rates, and the management of global supply chains.

COGS also varies by product and product line. Currently, the Company designs products to target COGS between 47% and 63% across products and brands (and a resulting gross margin before trade spend of 53% to 37%). In Q2 2023, COGS as a percentage of revenue was 48% in comparison to 47% for Q2 2022, 51% in Q1 2023 and 60% in Q4 2022. For FY 2022, average COGS as a percentage of revenue was 55%, which was reflective of the sales product mix for the year.

COGS performance is reflective of the complete supply chain (design, production, fulfillment, etc.) and reflects the lifecycle of the product. Frequently at the early stage of the product life the COGS as a percentage of revenue is higher than the designed goal level. As the product matures and the volumes increase there are improvements in the COGS that are expected and achieved. On an annual basis (or more frequently as needed), the Company reviews the cost, margin and sales competitiveness and performance, as a part of their best practices of continuous improvement and SKU rationalization. When COGS falls outside of expectations by product or brand, the Company evaluates the production/supply chain alternatives to address and navigate any cost challenges. COGS can vary significantly by product line, and take longer to reach scale margin, depending on the product, MOQ (minimum order quantity) levels, and other start-up inputs at early stages.

While current COGS (averaged across products) are staying within the range of expectations, the Company has incurred price increases related primarily to ingredient costs, labor rate increases, inflation, and freight, and expects these to continue throughout 2023 given current world and market events. However, the Company has been proactively getting in front of these costs where possible by:

(1) adjusting formulations to include alternative ingredients or sources for those with realized or anticipated supply chain issues (addressing ingredient costs)
(2) expanding co-manufacturing, warehousing and 3PL distribution relationships (addressing labor/efficiency)
(3) and proactively sourcing better freight and logistics costs (addressing freight costs)

Overall COGS strategies and solutions are targeted at reducing and/or maintaining costs at current levels over the next 12 to 24 months. The Company continues to monitor COGS and pricing relationships; should there be a longer-term COGS increase anticipated or observed, the Company will evaluate whether a product price increase is viable while maintaining sales velocity.

Selling, General and Administrative Expenses

(expressed in $)	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Payroll and recruiting	876,160	905,132	1,727,074	1,764,433
Professional fees	685,283	391,975	906,989	1,576,609
General office expenses	107,582	233,159	220,353	427,568
Outbound freight	211,371	319,126	520,120	664,462
Advertising and marketing	715,079	1,242,750	1,771,287	1,882,034
Selling, general and administrative	2,595,475	3,092,142	5,145,823	6,315,106

The Company intends to continue to scale in 2023 and intends to do so while continuing to focus on flat-line or reduction in overall expenses. In the 2023 periods, the Company was able to achieve significant reductions in SG&A. Variances by category are explained below:

- Advertising and marketing expenses are lower in Q2 2023 than in Q2 2022 as the Company acquired significant marketing promotional commitments to Grocery Retailers with the acquisition of the RightRice® brand that had to be honored in 2022. For 2023, the Company has pulled back on the advertising and marketing efforts/programs initiated at the retail sales channel level and both streamlined and reallocated these resources.
- Payroll and recruiting expenses, including contractor fees, for the 2023 periods remained relatively flat over the 2022

periods while achieving alignment with sales channel priorities.

- Professional fees incurred in Q2 2023 are higher than in Q2 2022 due to increases in consulting services and investor relations activities. Professional fees are lower in the 6 months June 2023 than in the 6 months June 2022 as the 2022 period includes significant one-time accounting, legal and advisory fees related to the acquisition of the RightRice® business assets completed in January 2022.
- Outbound freight costs relate to dry trucking and refrigerated container shipping and storage. Outbound freight costs are lower in the 2023 periods than in the 2022 periods due to freight costs falling back to more normal levels, including international container shipments. The Company is also continually sourcing and rebidding freight to new carriers with more competitive pricing and a focus on maintaining or increasing service levels while reducing costs.
- General office expenses are lower in the 2023 periods than in the 2022 periods due to cost reduction efforts and efficiencies realized through technology-driven process improvements across financial reporting, inventory management, sales CRM management, and other key functions for the Company, some of which are driven by the implementation of NetSuite ERP system across the Company's core functions, a process that was kicked off in Q3 2022.

Interest and Accretion

During Q2 2023 and the 6 months June 2023, the Company recognized $326,157 and $505,006, respectively, of interest and accretion compared to $383,822 and $740,215 in Q2 2022 and the 6 months June 2022, respectively. Interest expense on short-term debt and convertible debt increased in the 2023 periods however this was offset by a decrease in accretion of convertible debt following the conversion of convertible notes to shares in November 2022. See "Liquidity and Capital Resources".

Equity-based Compensation

During Q2 2023 and the 6 months June 2023, the Company recognized $205,341 and $393,172, respectively, of equity-based compensation compared to $76,330 and $242,349 in Q2 2022 and the 6 months June 2022, respectively. Equity-based compensation increased in the 2023 periods due to the granting of 619,876 stock options and 645,362 restricted share units ("RSUs") to certain directors, officers and employees of the Company in April 2023 as performance bonuses for 2022; no cash compensation was paid to employees for performance bonuses.

Amortization and Depreciation

During Q2 2023 and the 6 months June 2023, the Company recognized $139,118 and $276,707, respectively, of amortization compared to $133,758 and $245,468 in Q2 2022 and the 6 months June 2022, respectively. Amortization relates to the intangible assets acquired as part of the acquisition of RightRice® business assets completed in January 2022. Amortization is recognized on a straight-line basis over the estimated useful lives which is 10 years for customer relationships and 5 years for brand name and technology assets.

During Q2 2023 and the 6 months June 2023, the Company recognized $43,171 and $86,069, respectively, of deprecation compared to $35,410 and $72,352 in Q2 2022 and the 6 months June 2022, respectively. Depreciation relates to right-of-use assets and other property and equipment.

Other Income and Expenses

(expressed in $)	Three months ended June 30		Six months ended June 30	
	2023	**2022**	**2023**	**2022**
Change in fair value of financial instruments	–	3,870,982	–	6,332,668
Loss on repayment of promissory notes	–	–	–	(30,821)
Gain on short-term debt settlement	978,426	–	978,426	–
Loss on convertible debenture conversion	(2,721)	–	(2,721)	–
Foreign exchange	(64,261)	75,063	(68,257)	37,493
Total other income	911,444	3,946,045	907,448	6,339,340

The change in fair value of financial instruments reported in the 2022 periods relates to the revaluation of the derivative liability associated with convertible notes issued in 2021 and converted to shares in November 2022.

The gain on short-term debt settlement reported in the 2023 periods relates to the settlement of promissory notes described below in the "Liquidity and Capital Resources" section.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not meet financial obligations as they become due. The Company manages its liquidity risk through management of capital structure and annual budgeting of revenues, expenditures and cash flows.

The Company's June 30, 2023 unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the 6 months June 2023, the Company reported a net loss of $4,672,781 (6 months June 2022 – net income of $427,533) and $2,813,363 of cash flows used by operating activities (6 months June 2022 – $5,619,746). As at June 30, 2023, the Company had an accumulated deficit of $42,233,300 (December 31, 2022 – $37,560,519) and a working capital deficit of $3,154,549 (December 31, 2022 – $3,183,080). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing to continue.

Subsequent to June 30, 2023, the Company issued a total of 1,704,485 SVS upon the settlement or conversion of $478,185 of debts, repaid $154,990 of short-term debt, raised $335,934 of additional funds, acquired certain Argo Tea® assets from Golden Fleece Beverages, Inc. ("Golden Fleece") and entered into a loan agreement in connection with the Argo Tea® asset acquisition for up to $1,000,000 of loan proceeds. See the "Subsequent Events" section for additional information.

The Company continues to be in the building stage of the business, establishing new distribution of brands, developing and launching new products, making strategic accretive acquisitions where advisable, establishing a marketing strategy that reaches and builds a consumer community with high demand for the Company's products, and building a shared services organization and supply chain to effectively serve consumer demand. Management has mapped out a path to profitability over the next 18 to 24 months which includes continued growth and scaling with a focus on migrating scale in more profitable sales channels and customers, including Foodservice, as well as building in production and go-to-market efficiencies which will enhance margins. Ultimately, growth of the business and implementing a path to profitability over the next 18 to 24 months will support the Company's going concern success and is a key focus for Management. Management considers all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period.

Contractual Payments

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual payments:

As at June 30, 2023	Carrying amount $	Less than 1 year $	1 to 2 Years $	3 to 5 Years $	5 years + $	Total contractual amount $
Accounts payable and accrued liabilities	5,188,552	5,188,552	–	–	–	5,188,552
Short-term debt	1,413,570	1,413,570	–	–	–	1,413,570
Convertible debt	3,930,625	305,795	–	5,415,651	–	5,721,446
Lease liability	426,114	74,645	151,321	277,306	–	503,272
Government loan	26,143	–	–	8,360	141,640	150,000
Due to related parties	5,952	5,952	–	–	–	5,952
	10,990,956	6,988,514	151,321	5,701,317	141,640	12,982,792

The Company's liabilities as at June 30, 2023 include obligations relating to convertible debt (described below) with an aggregate face value of $5,451,651 (CAD $7,170,200) that mature in 2025 and 2026. On the maturity dates, the Company has the option to make a cash settlement offer to the debenture holders should it have sufficient cash and if the Company considers such payment to be in the best interests of the Company taking into account the Company's liquidity risk management strategy, or to convert the principal amount of 2022 Debentures into units at CAD $0.55 per unit and the principal amount of the 2023 $0.50 Debentures and 2023 $0.42 Debentures into units at the Principal Conversion Price per unit.

Short-term Debt

		June 30 2023		December 31 2022
Promissory notes (a)	$	100,000	$	1,093,290
Credit facility (b)		942,474		1,807,000
Promissory note (c)		133,771		–
Bridge loans (d)		237,325		–
	$	1,413,570	$	2,900,290

(a) Promissory notes

As part of the consideration for the RightRice® business assets completed on January 14, 2022, the Company issued two promissory notes.

The first unsecured promissory note (“Promissory Note 1”) in the amount of $2,000,000 plus $17,260 of accrued interest was paid on March 18, 2022 at which time the Company recognized a $30,821 loss on settlement of promissory notes in the condensed interim consolidated statement of loss and comprehensive loss for the comparative period.

The second unsecured promissory note (“Promissory Note 2”) in the amount of $1,000,000 was fully due and payable (including all accrued interest) on January 14, 2023. Pursuant to the terms of the Acquisition, the Company has the right to withhold from payment on Promissory Note 2 an amount equal to the Company’s good faith, reasonable estimate of the maximum amount of indemnifiable losses for Seller’s breach of representations and warranties in the Asset Purchase Agreement.

In January 2023, the Company exercised the right of setoff in connection with indemnification claims it has asserted against the Seller withheld payment of Promissory Note 2. In May 2023, the Company and Seller signed a settlement agreement and mutual release. Pursuant to the settlement agreement, the Company will make a $100,000 payment to the Seller, of which $25,000 was paid on July 13, 2023 and $75,000 is due on or before November 30, 2023, as settlement of Promissory Note 2 plus all accrued and unpaid interest and net of setoffs. In connection with the settlement agreement, the Company recognized a $978,426 gain on settlement of promissory notes in the current period condensed interim consolidated statement of loss and comprehensive loss.

(b) Credit facility

On May 16, 2022, the Company entered into a non-dilutive revolving line of credit agreement (the “Credit Facility”) with CircleUp Credit Advisors LLC to support the Company’s growth. The Credit Facility has a credit limit of $2,500,000 at a simple interest rate of 10.25% per annum, offers an advance rate on eligible accounts receivable (75%), purchase orders (65%), and inventory (50%), is secured against certain assets of PHB with a carrying value of $5.9 million as at June 30, 2023 and is in place for 18 months to November 4, 2023. A facility fee of $65,625 equal to 1.75% of the maximum amount of the Credit Facility was charged and paid via proceeds from eligible accounts receivable which are first applied against the facility fee until fully repaid and next against accrued and unpaid interest. Proceeds from eligible accounts receivable in excess of the facility fee and accrued interest are paid to the Company. The facility fee is amortized to interest and accretion expense on a straight-line basis.

(c) Promissory note

On May 17, 2023, the Company executed a promissory note agreement (the “Note”) with an unrelated individual (the “Holder”) for proceeds of $129,990 (CAD $175,000). The Note bears interest at 10% per annum and matures on July 17, 2023. Unless paid earlier, the unpaid principal amount of the Note and accrued interest shall be payable on the earliest of (1) fifteen days following the demand of the Holder which may not be made earlier than the July 17, 2023 (2) one business day following the completion of a qualified financing for gross proceeds of $1 million or CAD $1.4 million and (3) an event of default as defined in the Note agreement. The unpaid principal amount of the Notes and accrued interest is convertible, at the option of the Holder, into SVS of the Company at the lowest price per SVS of the Company’s next equity financing, the effect of which is nominal and therefore not accounted for.

The Note and accrued interest were repaid on July 28, 2023.

(d) Bridge loans

In June 2023, the Company received an aggregate of $235,280 (CAD $312,988) of proceeds pursuant to bridge loan agreements (the “Bridge Loans”) signed with various current and new investors (the “Lenders”). The Bridge Loans mature on the date which is the earlier of (i) January 19, 2024 and (ii) the date that the Company closes a financing for gross proceeds greater than CAD $12.5 million. The Bridge Loans bear interest at 10% per annum, accruing daily on each amount advanced from the date of advance, compounding monthly and payable on the maturity date. The Company may prepay the Bridge Loans and accrued interest, upon 30 days’ prior written notice, at any time without premium or penalty.

Subject to the approval of the TSXV, the Company will issue to each Lender a number of warrants that is the CAD amount advanced divided by CAD $0.34, being the closing market price of the Company's shares on July 19, 2023. This equates to a total of 920,553 warrants in respect of CAD $312,988 of Bridge Loans as at June 30, 2023. Warrants will be exercisable at CAD $0.34 per SVS for a term of one year from the date of issuance.

Convertible Debt

		June 30 2023		December 31 2022
Convertible debentures (a)	$	3,821,588	$	589,422
Convertible note interest (b)		109,037		101,990
		3,930,625		691,412
Current portion		(305,796)		(144,913)
Long-term portion	$	3,624,829	$	546,499

(a) Convertible debentures

(i) <u>2022 Convertible Debentures</u>

As at December 31, 2022, the Company had CAD $2,223,750 principal amount of convertible debentures (the "2022 Debentures") outstanding. The principal amount bears interest at 12% per annum, payable semi-annually in arrears and matures on October 20, 2025 (the "maturity date").

At any time prior to the maturity date, holders of the 2022 Debentures may convert all or a portion of the principal amount into units of the Company at CAD $0.55 per unit where each unit is comprised of one SVS and one warrant exercisable into one subordinated voting share ("SVS") at an exercise price of CAD $0.80 at any time prior to the maturity date.

Interest may be paid at the election of the Company in cash or converted into SVS at a conversion price (the "Interest Conversion Price") equal to the maximum Discounted Market Price (as defined under the policies of the TSXV) based on the closing price of the Company's shares on the date immediately preceding the interest payment due date.

On the maturity date, the Company has the option to:

- repay in cash the principal amount plus all bonus interest and accrued and unpaid interest; or
- convert the principal amount into units at CAD $0.55 per unit and repay all bonus interest and accrued and unpaid interest in cash or convert into SVS at the Interest Conversion Price.

At any time after April 21, 2023, the Company may provide a redemption notice to the 2022 Debenture holders to redeem, by cash payment, the face value of the 2022 Debentures and all accrued and unpaid interest plus a redemption penalty of 8% of the face value (the "Redemption Amount"). After receipt of the redemption notice, holders may elect to convert all or a portion of the principal amount into units at CAD $0.55 per unit and convert all or a portion of related bonus interest and accrued and unpaid interest into SVS at the Interest Conversion Price. The Redemption Amount shall be paid in cash.

On May 16, 2023, the Company issued 90,909 units for the conversion of $37,160 (CAD $50,000) principal amount of 2022 Debentures at which time the Company recognized a $2,721 loss on convertible debt conversion.

On June 8, 2023, the Company issued an aggregate of 137,049 SVS for the payment $6,166 (CAD $8,236) bonus interest and unpaid accrued interest on the converted 2022 Debentures and $32,308 (CAD $43,158) of other unpaid accrued interest.

The June 30, 2023 face value of the 2022 Debentures is $1,838,853 (CAD $2,434,600) representing the $1,641,833 (CAD $2,173,750) principal amount plus $197,020 (CAD $260,850) of bonus interest.

(ii) <u>2023 $0.50 Debentures</u>

In February and March 2023, the Company completed the private placement of unsecured, non-transferable convertible debentures (the "2023 $0.50 Debentures") in two tranches for aggregate gross proceeds of $2,924,679 (CAD $4,004,600) representing the principal amount, of which $981,941 (CAD $1,250,500) matures on February 28, 2026 and $2,005,738 (CAD $2,754,000) matures on March 13, 2026. The 2023 $0.50 Debentures bear interest at 10% per annum, payable semi-annually in arrears. Interest may be paid at the election of the Company in cash or converted into SVS at the Interest Conversion Price.

At any time prior to the maturity date, holders of the 2023 $0.50 Debentures may convert all or a portion of the principal amount into units of the Company at CAD $0.50 per unit where each unit is comprised of one SVS and one warrant exercisable into one SVS at an exercise price of CAD $0.80 at any time prior to the maturity date.

At any time that is one year after the date of issuance and prior to the maturity date, the Company may provide a redemption notice to the 2023 $0.50 Debenture holders to redeem, by cash payment, the principal amount of the 2023 $0.50 Debentures and all accrued and unpaid interest plus a Redemption Penalty. After receipt of the redemption notice, holders may elect to convert all or a portion of the principal amount into units at CAD $0.50 per unit and convert all or a portion of accrued and unpaid interest into SVS at the Interest Conversion Price. The Redemption Penalty shall be paid in cash.

On the maturity date, the Company has the option to:

- repay in cash the principal amount plus all accrued and unpaid interest; or
- convert the principal amount into units at the lesser of (i) CAD $0.50 per unit and (ii) the maximum Discounted Market Price (as defined under the policies of the TSXV) based on the closing price of the Company's shares on the date immediately preceding the maturity date (the "Principal Conversion Price"); and
- repay all accrued and unpaid interest in cash or convert into SVS at the Interest Conversion Price.

The 2023 $0.50 Debentures, SVS, warrants and underlying securities of the Company issuable on conversion or exercise are subject to a four-month hold period. In addition, the SVS, warrants and underlying securities will not be transferable or saleable for six months plus one day from the closing date.

At issuance, the principal amount of the 2023 $0.50 Debentures is considered to be a financial liability because although there is no contractual obligation to settle in cash, it is convertible into a variable number of units based on the Principal Conversion Price, if and when converted. The interest payable on the 2023 $0.50 Debentures, is also considered to be a financial liability as it is convertible into a variable number of SVS based on the Interest Conversion Price, if and when converted. The estimated fair value of the principal amount and interest payable was determined to be $2,445,188 (CAD $3,348,060) based on the present value of expected cash flows discounted at 18% and the $479,491 (CAD $656,540) the residual portion of the 2023 $0.50 Debenture proceeds was allocated to equity. At issuance, the estimated fair value of the Redemption Amount was determined to be nominal and therefore no amount has been recognized in the consolidated financial statements.

The Company paid $8,284 (CAD $11,343) of finders' and broker fees and incurred $56,597 (CAD $77,495) of other direct costs in connection with the private placement which have been attributed to debt and equity issue costs based on the relative values of the debt and equity portions.

The debt portion, net of attributed issue costs, is accreted using an effective interest rate of approximately 1.4% per month. Accretion expense is included in accretion and interest expense in the consolidated statement of loss and comprehensive loss.

The June 30, 2023 face value of the 2023 $0.50 Debentures is $3,024,674 (CAD $4,004,600) representing the principal amount.

(iii) <u>2023 $0.42 Convertible Debentures (require confirmation of $0.50 agreements modified to $0.42)</u>

In April, May and June 2023, the Company issued $543,695 (CAD $731,000) principal amount of unsecured, non-transferable convertible debentures (the "2023 $0.42 Debentures"). The 2023 $0.42 Debentures bear interest at 10% per annum, payable semi-annually in arrears and mature on August 23, 2026.

The terms of the 2023 $0.42 Debentures are identical to those of the 2023 $0.50 Debentures except that the 2023 $0.42 Debentures are convertible into units of the Company at CAD $0.42 per unit where each unit is comprised of one SVS and one warrant exercisable into one SVS at an exercise price of CAD $0.50 at any time prior to the maturity date.

The 2023 $0.42 Debentures, SVS, warrants and underlying securities of the Company issuable on conversion or exercise are subject to a hold period and may not be traded until December 24, 2023. In addition, the SVS, warrants and underlying securities will not be transferable or saleable until February 24, 2024.

The estimated fair value of the principal amount and interest payable was determined to be $438,653 (CAD $589,740) based on the present value of expected cash flows discounted at 19% and the $105,042 (CAD $141,260) the residual portion of the 2023 $0.42 Debenture proceeds was allocated to equity. At issuance, the estimated fair value of the Redemption Amount was determined to be nominal and therefore no amount has been recognized in the consolidated financial statements.

The Company incurred approximately $11,157 (CAD $15,000) of direct costs in connection with the private placement which have been attributed to debt and equity issue costs based on the relative values of the debt and equity portions.

The debt portion, net of attributed issue costs, is accreted using an effective interest rate of approximately 1.4% per month. Accretion expense is included in accretion and interest expense in the consolidated statement of loss and comprehensive loss.

The June 30, 2023 face value of the 2023 $0.42 Debentures is $552,124 (CAD $731,000) representing the principal amount.

(b) Convertible note interest

As at December 31, 2022, the Company had $101,990 of accrued and unpaid interest due in respect of unsecured convertible notes (the "Notes") issued in 2021 for which the principal portion was converted to 17,303,571 SVS of the Company in November 2022.

On March 31, 2023, the Company issued a promissory note for a portion of the accrued and unpaid interest in the principal amount of $99,475 (CAD $134,625). The promissory note bears interest at 10% per annum commencing on November 14, 2022 until the full and final payment of the principal amount on or before March 31, 2024. The remaining portion of accrued and unpaid interest will continue to accrue interest at 10% per annum until paid.

As at June 30, 2023, the aggregate balance of accrued and unpaid interest due in respect of the Notes was $109,037.

Government Loan

As at June 30, 2023, the Company had a government loan with an amortized cost of $26,143 (December 31, 2022 – $26,547) outstanding. The loan was obtained in 2020 pursuant to a long-term Economic Injury Disaster Loan ("EIDL") agreement with the U.S. Small Business Administration ("SBA") in the amount of $150,000. The SBA EDIL is secured by assets of the Company, bears interest at a rate of 3.75% per annum, requires monthly principal and interest payments commencing on October 11, 2022 and matures on June 22, 2050.

RELATED PARTY TRANSACTIONS

- As at June 30, 2023, due to related parties was comprised of $5,952 (December 31, 2022 – $5,952) of reimbursable corporate expenses.
- During Q2 2023 and the 6 months June 2023, the Company incurred $18,000 and $36,000 (Q2 2022 and the 6 months June 2022 – $25,757 and $43,299), respectively, of consulting fees charged by the sibling of a founding member. As at June 30, 2023, accounts payable and accrued liabilities included $61,000 (December 31, 2022 – $30,000) due to this related party.
- An individual who is an officer and director of the Company is a Lender under the Bridge Loans for a loan of $10,000 (CAD $13,254).

SUBSEQUENT EVENTS

Subsequent to June 30, 2023, the Company completed the following transactions:

- Settled ten outstanding debts for a total amount of $243,297 and CAD$7,560 (for combined amount of approximately $249,030 (CAD $334,551)) through the issuance of 711,810 to the creditors at a deemed price of CAD $0.47 per SVS. These SVS bear a statutory four-month hold period from the date of issuance in accordance with applicable securities legislation and will also be subject to restrictions on transfer and will be released from such restrictions in tranches of 15% on the dates that are six months, seven months, eight months, nine months, 10 months and 11 months from the date of issuance, and a remaining tranche of 10% on the date that is 12 months from the date of issuance;
- Paid $25,000 pursuant to a promissory note settlement agreement;
- Repaid a $129,990 (CAD $175,000) promissory note plus accrued interest;
- Obtained $87,640 (CAD $115,911) of additional Bridge Loan proceeds and, subject to TSXV approval, will issue 340,915 of related warrants exercisable at CAD $0.34 per SVS;
- Issued 90,909 SVS upon the conversion of $37,765 (CAD $50,000) principal amount of 2022 Debentures (Note 8(a)(i)) and, subject to TSXV approval, will issue 24,367 SVS as settlement of $4,693 (CAD $6,214) of bonus interest and unpaid accrued interest;
- Raised gross proceeds of $248,294 (CAD $328,710) upon the issuance of 2023 $0.42 Debentures;

- Issued 901,766 SVS at an Interest Conversion Price of CAD$0.281 as payment of $191,390 (CAD $253,397) of interest owing on convertible debt (Note 8(a)(i) and (ii)) as at June 30, 2023;
- Proposes to issue 690,209 SVS shares upon the vesting of 690,209 RSUs, subject to TSXV approval;
- Acquired certain Argo Tea® assets from Golden Fleece including master supply agreements with Foodservice partners, licenses for eight cafes managed by contract Foodservice providers at major U.S. universities, finished goods inventory and intellectual property. As consideration for the assets, the Company assumed a $270,000 note payable obligation owed to creditors of Golden Fleece payable in four annual graduated installments; and
- Entered into a loan agreement (the "Loan") in connection with the above asset acquisition with an entity related to Argo Tea® (the "Lender") for up to $1,000,000 of loan proceeds. Under the terms of the Loan, subject to TSXV approval, the Company intends to issue to the Lender 1,547,714 warrants exercisable at CAD $0.35 CAD SVS for a period of 36 months following the date of issuance. The Loan bears interest at 11% per annum and compounded monthly. Loan proceeds are repayable on the date that is 12 months from the closing of each tranche advanced. The initial $400,000 tranche is due on August 22, 2024. The second tranche of the Loan, if advanced, will be for a minimum of $300,000 (and up to a total of $600,000). Upon full funding of the $1,000,000 Loan, the Lender will receive a revenue share percentage on net sales derived directly from the Argo Tea® assets and intellectual property. The revenue share will begin in 2024 on a sliding scale of 5% in 2024; 4% in 2025 and 3% in 2026 and beyond for up to 30 years with a buyout clause.

SHARE CAPITAL

	Equivalent SVS (1)	Warrants (2)	Warrants (3)	Stock options (2)	RSUs (2)
Balance, December 31, 2022	111,968,971	13,216,897	180,000	2,091,287	2,516,434
Issued/granted	1,986,158	90,909	–	619,876	645,362
Exercised	–	(1,758,200)	–	–	–
Forfeited	–	–	–	(494,184)	(527,524)
Balance, June 30, 2023	**113,955,129**	**11,549,606**	**180,000**	**2,216,979**	**2,634,272**
Issued	1,704,485	90,909	–	–	–
Expired	–	–	–	(753)	–
Balance, date of MD&A	**115,659,614**	**11,640,515**	**180,000**	**2,216,226**	**2,634,272**
Pending approval of the TSXV	714,576	2,809,182	–	–	(690,209)
Balance upon receipt of approval	**116,374,190**	**14,449,697**	**180,000**	**2,216,226**	**1,944,063**

(1) The Company's share capital consists of SVS and multiple voting shares ("MVS"), with each MVS equivalent to 100 SVS.

(2) Exercisable into SVS

(3) Exercisable into MVS

Pursuant to an escrow agreement dated October 29, 2021 in connection with the Company's initial public offering completed on November 12, 2021, the following equity instruments are held in escrow at June 30, 2023:

	SVS	MVS	Performance warrants exercisable into SVS	Performance warrants exercisable into MVS	Stock options exercisable into SVS
Balance, June 30, 2023	40,974	104	64,800	198,000	292,652
Scheduled release:					
November 12, 2023	10,243	26	16,200	49,500	73,163
May 12, 2024	10,243	26	16,200	49,500	73,163
November 12, 2024	20,488	52	32,400	99,000	146,326

SELECTED FINANCIAL AND QUARTERLY INFORMATION

Unaudited	Q2 2023 $	Q1 2023 $	**FY 2022 $**	Q4 2022 $	Q3 2022 $	Q2 2022 $	Q1 2022 $	Q4 2021 $	Q3 2021 $
Revenues	2,718,897	3,236,693	**12,211,743**	2,662,857	3,673,626	3,344,517	2,530,743	358,964	768,590
Net revenues	1,563,258	2,438,844	**8,980,769**	1,814,892	2,684,424	2,480,929	2,000,524	254,412	649,789
Net income (loss)	(2,215,440)	(2,457,341)	**(7,805,766)**	(3,237,642)	(4,995,657)	1,149,329	(721,796)	(8,636,430)	(7,573,700)
Basic net income (loss) per share	(0.02)	(0.02)	**(0.08)**	(0.03)	(0.05)	0.01	(0.01)	(0.13)	(0.14)

Significant quarter-over-quarter variances are explained below:

- Q2 2023 net loss decreased compared to Q1 2023 due to the $0.98 million gain on short-term debt settlement which offset the decrease in revenues and net revenues.
- Q1 2023 net loss decreased compared to Q4 2022 due to a 22% increase in revenues and a 34% increase in net revenues versus Q4 2022 combined with a decrease in selling, general and administrative expenses and interest and accretion expense.
- Q4 2022 net loss decreased due to a $0.3M increase in the fair value of financial instruments prior to conversion of the related convertible notes in November 2022 combined with a decrease in interest and accretion expense. Equity-based compensation also decreased in Q4 2022.
- Revenue decreased by 28% in Q4 2022 versus Q3 2022 due to seasonal sales fluctuations in the Grocery and E-commerce channels; also Q3 2022 included distribution warehouse pipeline-loading orders to support new Grocery Retail distribution for new shelf sets reset in early Q4 2022.
- Quarter-over-quarter revenue growth achieved: 10% growth in Q3 2022 over Q2 2022 and 32% growth in Q2 2022 over Q1 2022.
- Comparative quarter revenue growth achieved: 642% growth in Q4 2022 over Q4 2021; 378% growth in Q3 2022 over Q3 2021; 276% growth in Q2 2022 over Q2 2021; and 291% growth in Q1 2022 vs Q1 2021.
- Q3 2022 net loss is due to a $1.6M decrease in the fair value of financial instruments, a 7% increase in cost of goods sold, continued expected increase in trade spend, an increase in expense associated with equity-based compensation and interest and accretion associated with the convertible notes.
- Q2 2022 net income due in large part to a positive change in the fair value of financial instruments.
- Q2 2022 and Q3 2022 revenues and net revenues were higher due to continued momentum from new retailer distributors and customers added in Q1 2022 and the latter part of FY 2021, as well increases in the sale of RightRice® products.
- Q1 2022 revenues of $2.5M represent 95% of the total FY 2021 revenues of $2.7M, and growth of 605% over Q4 2021 revenues of $0.4M.
- Q1 2022 net revenues of $2.0M represent 86.2% of the total FY 2021 net revenues of $2.3M, and growth of 686% over Q4 2021 net revenues of $0.3M.
- Q1 2022 net loss represents 4.1% of the FY 2021 net loss (95.9% lower), and 8.4% of the Q4 2021 net loss (91.6% lower), due to higher revenues and the positive change in fair value of financial instruments.
- Q1 2022 revenues and net revenues were higher due to increased sales velocity, new retailer distribution wins, new revenues from the sale of RightRice® products, and new customers.
- Q4 2021's net loss also included substantial one-time charges and non-cash adjustments due to merger and IPO expenses, related accounting adjustments and one-time professional fees.
- Q4 2021 revenues and net revenues were lower than those reported in Q3 2021 due to both seasonality as retailers focused on Holiday items (in the United States, this seasonality can impact shipments and sales for better-for-you foods between mid-October and mid-December of each calendar year), and to the anticipated winding down of the airline Mozaics™ chips program due to scheduled annual menu changes by the airline.
- Although the Company has experienced significant revenue growth in recent periods, such growth rates are not necessarily sustainable and will likely decrease in the future. However, the Company's experienced Management team believes in building strong financial fundamentals while scaling the business and believes it has the experience and skills to do so. The Management Team is placing focus on establishing infrastructure to support growth, driving improved marketing to boost customer acquisition, increasing distribution and driving efficiencies in production.

Overall, Management is concerned with growing and improving the business with time, resources and focus.

LIMITED OPERATING HISTORY, ACCUMULATED DEFICIT AND ANTICIPATED LOSSES

In addition to the other risk factors in this MD&A and in the Company's MD&A for the three months and year ended December 2022, the following risk factors should be carefully considered in evaluating the Company and its business because such factors currently or may have a significant impact on the Company's business, opportunities, and results from operations.

The Company was incorporated in 2016 and commenced selling its current product lines into Grocery Retail distribution in 2019. Accordingly, the Company has a limited operating history on which to base an evaluation of its business and prospects. Investors should consider the Company's future prospects in light of the risks, expenses, challenges and uncertainties frequently encountered by companies in an early stage of development and market penetration, particularly companies in the fast-moving, innovative Food and Beverage space and companies navigating challenging capital markets and economic headwinds. These risks include, but are not limited to, an evolving and unpredictable business model and the management of rapid growth. To address these risks, the Company believes it must, among other things, maintain and increase its customer reach/base, implement and successfully reach consumers with marketing, continue to shift its business mix to include a greater percentage of more profitable sales (i.e. Foodservice channel sales), ensure that product quality, customer service and order fulfillment stay high, meet the needs and expectations of the customers and stay ahead of competition, and retain and motivate qualified personnel. There can be no assurance that the Company will be successful in addressing the risks as set out above, and failure to do so could have a material adverse impact on the Company's business, prospects, financial condition and operating results.

Since its inception, the Company has incurred significant losses, and as of June 30, 2023 had an accumulated deficit of $42 million. Historically, this accumulated deficit increased due to operating losses including a loss of $17.6 million in 2021 which included $3.7 million of merger transaction costs, a $5.6 million charge for the change in fair value of financial instruments and $2.6 million of equity-based compensation. Operating losses in other years were between $2.5 million and $7.8 million per year, including non-cash items and accounting adjustments (i.e. change in fair value of financial instruments, accretion of debt costs, amortization and depreciation and equity-based compensation). The Company's ability to continue as a going concern is dependent upon its ability to attain future profitable operations and/or obtain the necessary financing to meet its obligations and repay liabilities as they become due. While the Company is continuing its best efforts to achieve the above plans, there is no assurance that the Company will be successful.

The Company believes that its success will depend in large part on building a robust distribution network to support sales volume, expanding its marketing presence to successfully improve its ability to reach more consumers with its products, providing these customers with high-quality products and customer service, achieving sufficient sales volume to realize economies of scale, and enhancing and expanding its team to deliver high caliber growth and management to the Company. Accordingly, the Company intends to continue to invest in Marketing, Product Development, Channel and Sales Development, Business Infrastructure and People.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, trade accounts receivable, accounts payable and accrued liabilities, short-term debt and due to related parties. The fair values of those financial instruments approximate their carrying values due to the short-term maturity of those instruments. The fair values of convertible debt and government loans approximate their carrying values as they bear interest at an effective rates or fixed rates consistent with market rates for similar debt.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet contractual obligations. The Company maintains cash in bank deposits which, at times, may exceed federally insured limits. The Company believes it is not exposed to any significant credit risk on cash as it is held with reputable financial institutions in the United States and Canada.

The principal markets for the Company's products are in the United States and Canada, however, a portion of sales are to foreign distributors. Management performs continuing credit evaluations of customers and generally does not require collateral. Historically, the Company has not experienced significant losses related to receivables from individual customers. During Q2 2023 and the 6 months June 2023, the Company derived approximately 56% and 54%, respectively, of its gross revenues from four direct customers and direct-to- consumer e-commerce platforms (Q2 2022 and the 6 months June 2022 – 47% and 57%, respectively, from three direct customers and direct-to-consumer e-commerce platforms). Significant changes in industry conditions will increase the risk of not collecting receivables. Management believes the risk is generally mitigated by the size and reputation of the companies to which they extend credit.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position are disclosed in Note 2 of the Company's audited December 31, 2022 consolidated financial statements.

NON-IFRS AND OTHER FINANCIAL MEASURES

This MD&A includes certain non-IFRS performance measures that do not have a standardized meaning prescribed by IFRS. These measures may differ from those used by other issuers and may not be comparable to such measures as reported by other issuers. The Company believes that these measures are commonly used by certain investors, in conjunction with conventional IFRS measures, to enhance their understanding of an issuer's performance. These measures have been derived from the Company's financial statements and applied on a consistent basis and include the following measures:

"Working capital surplus (deficit)" and "Adjusted working capital surplus (deficit)" are capital management measures. Working capital surplus (deficit) is comprised of current assets less current liabilities. Adjusted working capital surplus (deficit) is working capital surplus (deficit) adjusted for current liabilities that will not be settled in cash, such as convertible notes and the related derivative liability. Management believes that working capital surplus (deficit) and adjusted working capital surplus (deficit) are useful measures to assess the Company's capital position and ability to execute the business strategy. See "Summary of Financial Information" for a reconciliation of working capital surplus (deficit) to current assets and current liabilities and a reconciliation of adjusted working capital surplus (deficit) to convertible notes and derivative liability, being nearest measures prescribed by IFRS.

"Non-current financial liabilities" is a supplemental financial measure. Non-current financial liabilities is comprised of the non-current portions of government loans and lease liabilities as presented in the Company's consolidated statements of financial position. See "Summary of Financial Information".

"EBITDA" (earnings before interest, taxes, depreciation and amortization) and "Adjusted EBITDA" are supplemental financial measures. The Company uses EBITDA to measure the Company's overall performance. The Company uses Adjusted EBITDA to measure overall performance before certain non-cash items such as equity-based compensation and change in value of financial instruments. See "Performance Review" for the calculation of EBITDA and Adjusted EBITDA.

"Trade spend as a percentage of revenues" is a supplemental financial measure. The Company uses trade spend as a percentage of revenues as a metric that demonstrates the support the Company provides to distributors and retailers for product placement, and to execute promotions at the retailer level to attract new consumers and increase sales of the Company's products**.** See "Performance Review" for the calculation trade spend as a percentage of revenues.

"COGS as a percentage of revenues" is a supplemental financial measure. The Company uses COGS as a percentage of revenues as a tool to improve the predictability and financial performance of each of the Company's product lines through improvements in supply chain management, production efficiencies gained through volume increase and economies of scale, decisions on in-sourcing versus out-sourcing, and a variety of other processes. See Performance Review for the calculation of COGS as a percentage of revenues.

NEW AND AMENDED STANDARDS ADOPTED

The Company adopted amendments to certain accounting pronouncements effective January 1, 2023, however, the amendments had no impact on the Company's unaudited June 30, 2023 condensed interim consolidated financial statements nor do the amendments relate to accounting policies considered material to the Company. An accounting policy is considered material to the Company if it provides information to facilitate the understanding of other material information reported and disclosed in the Company's consolidated financial statements.

BUSINESS RISKS AND UNCERTAINTIES

A summary of risks and uncertainties relating to the Company's business are provided below. For additional details of these risks and how the Company mitigates such risks, see the Company's most current Annual Information Form, which is available on SEDAR at www.sedar.com.

- Brand Value – The Company's success largely depends on its ability to maintain and grow its brands. Maintaining, promoting and positioning the Company's brands and reputation will depend on, among other factors, the success of its product offerings, management's ability to respond to customer preference changes, food safety, quality assurance, marketing and merchandising efforts and the Company's ability to provide a consistent, high-quality customer experience.

- Reputation Risk – Real or perceived quality or food safety concerns or failures to comply with applicable food regulations and requirements, whether these potential concerns actually involve the Company or are based on facts, could cause negative publicity and reduced confidence in the Company and the Company's products, which could cause harm to the Company's brand, reputation and sales, and could materially adversely affect the business, financial condition and results of operations.
- Disruption at Production Facilities – A natural disaster, fire, power interruption, work stoppage or other calamity at a partner production facility or at any future facility where the Company produces its products, would significantly disrupt the Company's ability to deliver its products and operate its business. Further, any government action restricting the operations or access to the Company's co-manufacturing facilities or at any future facility would have a material adverse effect on its business.
- Failure to Introduce New Products or Successfully Improve Existing New Products – A key element of management's growth strategy depends on its ability to develop and market new products and improvements to the Company's existing products that meet its standards for quality and appeal to consumer preferences. If the Company is unsuccessful in meeting its objective with respect to new or improved products, the business could be harmed.
- Reliance on Key Personnel – The Company is strongly dependent on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term. The contributions of the existing management team to the Company's immediate and near-term business are likely to be of central importance.
- Product Defect Risk – Selling food for human consumption involves inherent legal and other risks, and there is increasing governmental scrutiny of and public awareness regarding food safety.
- Protection of Intellectual Property Rights – The Company currently relies on unpatented proprietary expertise, recipes and formulations and other trade secrets to develop and maintain its competitive position. The Company's success depends upon its ability to protect and preserve its intellectual property.
- Competition – The industry the Company operates in is intensely competitive and the Company faces competition from numerous brands that produce plant-based food and beverage products, including small and large independent companies and large-scale manufacturers.
- Reliance on Customers – If the Company is unable to maintain good relationships with existing customers, its business could suffer. There can be no assurance of continued business relationships with distributors and vendors of the Company's products.
- Consumer Trends and Preferences for Plant-Based and Natural Food Products are Difficult to Predict and May Change – The Company's business is focused on the development, manufacturing, marketing and distribution of plant-based foods and beverages. Consumer demand for these products could change based on a number of possible factors, including dietary habits and nutritional values, concerns regarding the health effects of ingredients and shifts in preference for various product attributes. The Company's success depends, in part, on its ability and its customers' ability to offer products that anticipate the tastes and dietary habits of consumers and appeal to their preferences on a timely and affordable basis.
- Fluctuation of Quarterly Operating Results – Revenue is difficult to forecast and may fluctuate significantly from quarter to quarter. Delays, reduction in scope or cancellation of orders could materially adversely affect the Company's business, financial condition, and results of operations.
- Supply Chain Management – The Company's supply chain is complex. Insufficient or delayed supply of products threatens the Company's ability to meet customer demands, while over-capacity threatens its ability to generate profits. Accordingly, any failure by the Company to properly manage its supply chain could have a material adverse effect on its business, financial condition, and results of operations.
- Public Health Crises – Public health crises could adversely affect the Company's business. The Company's financial and/or operating performance could be materially adversely affected by the outbreak of public health crises, epidemics, pandemics, or outbreaks of new infectious diseases or viruses, such as the global outbreak of the novel coronavirus disease, COVID-19, and new variants of concern.
- Inability to Achieve and/or Manage Growth – The growth of the Company's business may place a strain on managerial, financial, and human resources. The Company's ability to maintain its rate of growth will depend on several factors.
- Inability to Efficiently Expand Production Network – There is a risk in the Company's ability to effectively scale production processes and effectively manage its supply chain requirements.
- Government Regulation of Food Industry – The production, distribution and sale of the Company's products in Canada, the United States and other countries are subject to various federal, provincial and state regulations,

including, but not limited to, food and drug regulations, health and safety laws, environmental statues, as well as various other federal, provincial, state and local statues and regulations applicable to the production, transportation, sale, safety, advertising, labelling and ingredients of its products.

- Impact of Product Marketing and Product Recalls – The success of the Company depends on its ability to build and maintain brand image for existing products, new products and brand extensions. The Company has no assurance that its advertising, marketing, and promotional programs will have the desired impact on its products' brand image and on consumer preference and demand.
- Labelling – Food labelling regulations and resulting debates over word choices and/or packaging label disclosures related to ingredient use, ingredient labels, product nutritional and product attributes and/or composition, use or purpose have become frequent areas of contention and may become the basis for product recalls, consumer class action suits and/or regulatory fines.
- Limited or Disrupted Supply of Key Ingredients – A number of the ingredients in the Company's products are vulnerable to adverse weather conditions and natural disasters, such as floods, droughts, frosts, earthquakes, hurricanes and pestilence.
- Price of Raw Materials – Costs of the ingredients and packaging for the Company's products are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, weather conditions, consumer demand, supply chain disruptions caused by war and political instability, and changes in governmental trade and agricultural programs.
- Significant Business Expenditures – The Company anticipates that its operating expenses and capital expenditures will increase in the foreseeable future as the Company continues to invest to increase its customer base, supplier network, co-manufacturing partners, marketing channels, and distribution, as well as hire additional employees, enhance the Company's technology infrastructure, including e-commerce capabilities for outside sales and internal ERP systems for revenue and inventory management, and develop new products. The Company's expansion efforts may prove more expensive than initially anticipated, and the Company may not succeed in increasing its revenues and margins sufficiently to offset the anticipated higher expenses.
- Availability of Capital – The availability of capital on acceptable terms, including the ability of the Company to raise funds through the issuance of equity or debt securities, obtain credit facilities, renegotiate the terms of its existing convertible debt if necessary and/or repay the principal and interest owing under its existing convertible debt, may impact the Company's ability to fund its business plan and growth strategy.
- Reliance on Information Technology – Information technology helps the Company operate efficiently, interface with customers, maintain financial accuracy and efficiency, and accurately produce its financial statements. If the Company does not allocate and effectively manage to build and sustain the proper technology infrastructure, it could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions or the loss of or damage to intellectual property through security breach.
- Global Economic Risk – Adverse and uncertain events that may affect the prevailing economic conditions, including a global pandemic, climate change, political events, wars, natural disasters or other global events, may impact consumer demand for the Company's products.
- Fluctuations in Foreign Currency Exchange Rates May Adversely Affect Operating Results – The functional currency of The Planting Hope Company is the CAD; the functional currency of operating subsidiary Planting Hope Brands is the USD. The presentation currency of the Company is the USD. However, doing business globally, the Company is exposed to foreign currency exchange rate risk with respect to its sales, expenses, profits, assets and liabilities.
- Litigation Risk – The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect the business of the Company. Among other matters, businesses in the Company's industry (including the Company itself) are regularly subject to pre-litigation demands or formal litigation proceedings from consumers (including class action litigation making consumer fraud claims related to food labelling) or regulatory agencies regarding labelling or other alleged legal or regulatory violations.
- Climate Change Risk – The Company is focused on maintaining and improving the sustainability of our products. If climate change has a negative effect on agricultural productivity, the Company may be subject to decreased availability or less favorable pricing for certain commodities that are necessary to produce the Company's products.