The Planting Hope Company Inc.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022

(Unaudited)

(Stated in United States dollars)

THE PLANTING HOPE COMPANY INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in United States dollars)

As at	Note		September 30 2022		December 31 2021
			(Unaudited)		(Audited)
Assets					
Current assets					
Cash		$	**415,557**	$	5,810,961
Trade accounts receivable	5		**1,582,498**		111,442
Inventories	6		**2,887,299**		696,810
Prepaid expenses and deposits	7		**455,142**		350,567
Total current assets			**5,340,496**		6,969,780
Non-current assets					
Intangible assets	8		**3,298,305**		–
Right-of-use assets	12		**476,970**		564,531
Property and equipment			**84,364**		57,294
Goodwill	4		**2,074,283**		–
Total assets		$	**11,274,418**	$	7,591,605
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	**4,610,908**	$	1,340,200
Promissory notes	9(a)		**1,008,235**		–
Credit facility	9(b)		**1,807,000**		–
Convertible notes	10		**3,396,402**		2,804,864
Derivative liability	10		**2,256,489**		7,084,160
Current portion of lease liability	12		**102,538**		92,836
Due to related parties	20		**5,952**		59,924
Total current liabilities			**13,187,524**		11,381,984
Non-current liabilities					
Government loan	11		**21,169**		18,530
Lease liability	12		**399,462**		477,837
Total liabilities			**13,608,155**		11,878,351
Shareholders' deficit					
Share capital	13		**28,270,592**		22,636,830
Warrant reserve	14		**2,743,844**		2,819,127
Contributed surplus			**661,417**		20,921
Accumulated other comprehensive income (loss)			**313,287**		(8,871)
Accumulated deficit			**(34,322,877)**		(29,754,753)
Total shareholders' deficit			**(2,333,737)**		(4,286,746)
Total liabilities and shareholders' deficit		$	**11,274,418**	$	7,591,605

Going concern (Note 2) **Subsequent event** (Note 23)

Approved by the Board of Directors:

Signed *Kay Wong-Alafriz* , Director Signed *Julia Stamberger* , Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

THE PLANTING HOPE COMPANY INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Stated in United States dollars)

	Note	For the three months ended September 30		For the nine months ended September 30	
		2022	2021	**2022**	2021
Revenues	17	$ **3,673,626**	$ 768,590	$ **9,548,886**	$ 2,305,549
Trade spend		**(828,978)**	(94,227)	**(2,082,185)**	(195,966)
Spoilage and cash discounts		**(160,224)**	(24,574)	**(300,824)**	(42,724)
Net revenues	17	**2,684,424**	649,789	**7,165,877**	2,066,859
Cost of goods sold		**(2,340,888)**	(436,194)	**(5,118,658)**	(1,092,354)
Gross profit		**343,536**	213,595	**2,047,219**	974,505
Expenses					
Selling, general and administrative	18	**2,808,033**	2,077,081	**9,123,139**	4,227,941
Interest and accretion	19	**450,376**	146,797	**1,190,591**	268,085
Amortization	8	**135,227**	–	**380,695**	–
Depreciation	12	**38,630**	1,933	**110,982**	6,191
Total expenses		**3,432,266**	2,225,811	**10,805,407**	4,502,217
Loss before other income (expense)		**(3,088,730)**	(2,012,216)	**(8,758,188)**	(3,527,712)
Other income (expense)					
Other income		**–**	352,619	**–**	405,452
Loss on settlement of promissory notes	9	**–**	–	**(30,821)**	–
Change in value of financial instruments	10	**(1,663,983)**	(36,697)	**4,668,685**	(36,697)
Government income	11	**–**	134,496	**–**	206,901
Equity-based compensation	15	**(398,147)**	(2,360,783)	**(640,496)**	(2,360,783)
Merger transaction costs	22	**–**	(3,651,119)	**–**	(3,651,119)
Foreign exchange		**164,535**	–	**202,028**	–
Total other income (expense)		**(1,897,595)**	(5,561,484)	**4,199,396**	(5,436,246)
Loss before tax		**(4,986,325)**	(7,573,700)	**(4,558,792)**	(8,963,958)
Current tax		**(9,332)**	–	**(9,332)**	–
Net loss		**(4,995,657)**	(7,573,700)	**(4,568,124)**	(8,963,958)
Currency translation adjustment		**180,625**	(3,461)	**322,158**	(3,461)
Comprehensive loss		$ **(4,815,032)**	$ (7,577,161)	$ **(4,245,966)**	$ (8,967,419)
Loss per share – basic	16	$ **(0.05)**	$ (0.14)	$ **(0.05)**	$ (0.19)
Loss per share – diluted	16	$ **(0.05)**	$ (0.14)	$ **(0.05)**	$ (0.19)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

THE PLANTING HOPE COMPANY INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
(Unaudited)
(Stated in United States dollars)

For the nine months ended September 30	Note	2022	2021
Share capital	13		
Balance, beginning of period		$ **22,636,830**	$ 9,022,788
Share issuances		**6,287,589**	233,046
Reverse takeover (Note 22)		**–**	2,632,356
Exercise of warrants		**134,295**	–
Debt conversions		**–**	2,766,968
Share issue costs		**(788,122)**	–
Balance, end of period		**28,270,592**	14,655,158
Warrant reserve	14		
Balance, beginning of period		**2,819,127**	–
Equity-based compensation		**–**	2,410,436
Exercise of warrants		**(75,283)**	–
Balance, end of period		**2,743,844**	2,410,436
Contributed surplus			
Balance, beginning of period		**20,921**	–
Equity-based compensation	15	**640,496**	–
Balance, end of period		**661,417**	–
Accumulated other comprehensive income (loss)			
Balance, beginning of period		**(8,871)**	–
Currency translation adjustment		**322,158**	(3,461)
Balance, end of period		**313,287**	(3,461)
Accumulated deficit			
Balance, beginning of period		**(29,754,753)**	(12,154,365)
Net loss		**(4,568,124)**	(8,963,958)
Balance, end of period		**(34,322,877)**	(21,118,323)
Total shareholders' deficit		$ **(2,333,737)**	$ (4,056,190)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

THE PLANTING HOPE COMPANY INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Stated in United States dollars)

For the nine months ended September 30	Notes	2022	2021
Operating activities			
Net loss		$ **(4,568,124)**	$ (8,963,958)
Add back (deduct) non-cash items:			
Amortization	8	**380,695**	–
Depreciation	12	**110,982**	6,191
Interest and accretion	19	**1,190,591**	268,085
Other income		**–**	(405,452)
Loss on settlement of promissory notes	9	**30,821**	–
Change in fair value of financial instruments	10	**(4,668,685)**	36,697
Government Income	11	**–**	(206,901)
Equity-based compensation	15	**640,496**	2,360,783
Merger transaction costs		**–**	3,651,119
Change in non-cash working capital:			
Trade accounts receivable		**(119,150)**	(38,302)
Inventories		**(867,640)**	99,014
Prepaid expenses and deposits		**(81,735)**	(339,345)
Accounts payable and accrued liabilities		**1,695,734**	(270,477)
Cash flows used in operating activities		**(6,256,015)**	(3,802,546)
Investing activities			
Business combination	4	**(4,000,000)**	–
Cash acquired in merger transaction	22	**–**	887,435
Property and equipment purchases		**(50,491)**	(16,611)
Cash provided by (used in) investing activities		**(4,050,491)**	870,824
Financing activities:			
Proceeds from short-term debt		**–**	156,056
Repayment of short-term debt		**–**	(499,250)
Proceeds from convertible debt		**–**	3,949,779
Repayment of promissory notes	9(a)	**(2,000,000)**	–
Proceeds from credit facility	9(b)	**1,807,000**	–
Proceeds from government loans	11	**–**	197,314
Lease payments	12	**(109,134)**	–
Share issuance proceeds, net of issue costs	13	**5,558,479**	–
Related party (repayment) proceeds	20	**(53,972)**	59,313
Interest paid		**(189,793)**	(49,982)
Cash provided by financing activities		**5,012,580**	3,813,230
(Decrease) increase in cash		**(5,293,926)**	881,508
Cash, beginning of period		**5,810,961**	28,794
Cash effects of currency translation		**(101,478)**	(3,922)
Cash, end of period		$ **415,557**	$ 906,380

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

The Planting Hope Company Inc. ("TPHC") was incorporated on November 19, 2020 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) as Campio Capital Corp. and changed its name to The Planting Hope Company Inc. on May 7, 2021. The principal business of the Company is to develop, launch and scale nutritious, sustainable, and delicious consumer packaged foods and beverages in the natural food products segment of the United States, Canada and internationally. The Company strives to operate as a diverse, ethical and sustainable producer of nutritious, plant-based foods and snacks.

On January 14, 2022, the Company closed the acquisition of RightRice® business assets from Betterer Foods, Inc. (Note 4).

These unaudited condensed interim consolidated financial statements include the accounts of TPHC and its wholly-owned subsidiary Planting Hope Brand LLC ("PHB"), together the "Company".

PHB is a Delaware company based in Illinois. PHB manufactures and distributes plant-based and sustainable food and beverages. The principal markets for PHB's products are in North America.

The head office and registered office of TPHC is located at c/o Bentall 5, 550 Burrard Street, Suite 1008, Vancouver, British Columbia, V6C 2B5. The corporate and registered office of PHB is 4710 N. Sheridan Road, Chicago, Illinois, 60640.

The Company's shares trade on the TSX Venture Exchange under the symbol "MYLK" and on the OTCBQ Venture Market under the symbol "MYLKF".

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements as set out in International Accounting Standard 34 Interim Financial Reporting.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2021. The Company has consistently applied the same accounting policies throughout all periods presented with the addition of the accounting policies described in Note 3.

Going concern

These 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 nine months ended September 30, 2022, the Company reported a $4,568,124 net loss (nine months ended September 30, 2021 –$8,963,958 net loss) and $6,256,015 (nine months ended September 30, 2021 – $3,802,546) of cash flows used by operating activities. As at September 30, 2022, the Company had an accumulated deficit of $34,322,877 (December 31, 2021 – $29,754,753) and a working capital deficit of $7,847,028 (December 31, 2021 – $4,412,204). 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.

On October 21, 2022, the Company raised gross proceeds of $1.6 million (CAD $2.2 million) through the issuance of convertible debentures (Note 23). The ability of the Company to be successful in obtaining additional future financing cannot be predicted at this present time. These condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 16, 2022.

3. ADDITIONAL ACCOUNTING POLICIES

(a) Intangible assets

Intangible assets consist of acquired customer relationships, brand name and technology. Intangible assets are accounted for at cost less accumulated amortization and accumulated impairment losses. 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. The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(b) Goodwill

The Company records goodwill relating to a business combination when the purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired business. Goodwill is reported at cost less any impairment and is not amortized. Goodwill is evaluated when facts and circumstances indicate that it is impaired, or at least on an annual basis.

To test for impairment, goodwill is allocated to the related cash-generating unit ("CGU") expected to benefit from the acquisition. Goodwill is tested by comparing the carrying amount of the CGU to the recoverable amount. Any excess of the carrying amount over the recoverable amount is recorded as impairment. Goodwill impairments are not reversed.

(c) Impairment of non-financial assets

Long-lived assets or finite life intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. When an impairment loss subsequently reverses, other than related to goodwill, the carrying amount of the asset is increased to the revised estimate but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior years. In the process of measuring expected future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets in subsequent financial years.

(d) Restricted share units

Restricted share units (RSUs) granted by the Company may be settled by issuing one subordinated voting share ("SVS") for each RSU or in cash, at the Company's option. As there is no present obligation for the Company to settle in cash, RSUs are accounted for as equity-settled share-based payments.

(Stated in United States dollars)

The fair value of RSUs is estimated based on the market value of the Company's shares on the date of grant and is recognized as share-based payment expense, with a corresponding increase in contributed surplus, over the vesting period, based on the Company's estimate of RSUs that will eventually vest.

Upon settlement of the RSUs, if the Company elects to settle in cash, the cash payment is recognized as a repurchase of equity; if the Company elects to settle by issuing one SVS for each RSU settled, no further accounting is required.

4. BUSINESS COMBINATION

On January 14, 2022, the Company closed the arm's-length acquisition of RightRice® business assets (the "Acquisition") from Betterer Foods, Inc. The aggregate purchase price of $6,875,904 is comprised of $4,000,000 in cash funded at closing, with the balance payable under two unsecured promissory notes bearing interest at 5% per annum.

As the business assets of RR were determined to meet the definition of a business as defined under IFRS 3 Business Combinations, the Acquisition was accounted for as a business combination. The purchase price was allocated to the fair value of assets acquired and liabilities assumed on the acquisition date as follows:

Fair value of consideration:		
Cash	$	4,000,000
Promissory notes (Note 9(a))		2,875,904
	$	6,875,904
Fair value of net assets:		
Working capital	$	1,122,621
Intangible assets (Note 8)		3,679,000
Goodwill		2,074,283
	$	6,875,904

Since the Acquisition date on January 14, 2022, the RightRice® business assets contributed $7,001,588 to revenues and a $544,729 loss to the net loss reported for the nine months ended September 30, 2022.

The preliminary estimates of the fair value of net assets acquired were made by management at the time of preparation of these unaudited condensed interim consolidated financial statements based on available information and may be adjusted as the amounts subject to estimates are finalized.

The acquisition provided the Company with a high-potential line of innovative and differentiated grain alternative products to the Company's portfolio of plant-based, planet-friendly, highly-nutritious brands.

Goodwill

Goodwill is recognized in a business combination when the purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired business. Goodwill is evaluated when facts and circumstances indicate that it is impaired, or at least on an annual basis. To test for impairment, goodwill is allocated to the related cash-generating unit ("CGU") expected to benefit from the Acquisition. Goodwill is tested by comparing the carrying amount of the CGU to the recoverable amount. Any excess of the carrying amount over the recoverable amount is recorded as impairment. Goodwill impairments are not reversed. The goodwill recognized is primarily attributed to the expected synergies, assembled workforce and other benefits from combining the assets and activities of RR. The goodwill is not deductible for tax purposes.

(Stated in United States dollars)

5. TRADE ACCOUNTS RECEIVABLE

The Company's trade accounts receivable are aged as follows:

As at		September 30 2022		December 31 2021
Less than 60 days overdue	$	1,183,928	$	74,931
Greater than 60 days overdue		415,679		55,580
		1,599,607		130,511
Less allowance for expected credit losses		(17,109)		(19,069)
Trade accounts receivable	$	1,582,498	$	111,442

6. INVENTORIES

		September 30 2022		December 31 2021
Ingredients	$	828,156	$	90,733
Packaging		538,621		205,349
Finished goods		1,581,200		423,010
Reserve for obsolescence		(60,678)		(22,282)
	$	2,887,299	$	696,810

During the nine months ended September 30, 2022, $4,850,065 (nine months ended September 30, 2021 – $1,046,529) of inventory was expensed to cost of goods sold.

7. PREPAID EXPENSES AND DEPOSITS

		September 30 2022		December 31 2021
Insurance	$	15,595	$	23,710
Security deposit		21,750		11,750
Inventory purchase deposits		107,023		131,092
Trade show deposits		46,122		49,093
Service contracts		264,652		134,922
	$	455,142	$	350,567

8. INTANGIBLE ASSETS

		Customer relationships		Brand name		Technology		Total
Cost								
Acquired (Note 4)	$	1,993,000	$	674,000	$	1,012,000	$	3,679,000
Accumulated amortization								
Amortization expense		(141,421)		(95,653)		(143,621)		(380,695)
Net carrying amount								
September 30, 2022	$	1,851,579	$	578,347	$	868,379	$	3,298,305

(Stated in United States dollars)

9. SHORT-TERM DEBT

(a) Promissory Notes

As part of the consideration for the Acquisition completed on January 14, 2022 (Note 4), the Company issued two promissory notes.

The first unsecured promissory note ("Promissory Note 1") in the amount of $2,000,000 was fully due and payable (including all accrued interest) on the earlier to occur of (i) the date of the closing of any offering of securities of the Company (whether by way of a prospectus offering or on a private placement basis), which offering may be completed in one or more tranches, raising aggregate gross proceeds of not less than US $4,000,000 and (ii) March 31, 2022, the maturity date. The second unsecured promissory note ("Promissory Note 2") in the amount of $1,000,000 is fully due and payable (including all accrued interest) on January 14, 2023.

The issue date fair value of the promissory notes was determined to be $2,875,904 based on expected cash flows discounted at a rate of 15%.

Promissory Note 1 plus $17,260 of accrued interest was paid on March 18, 2022, following the completion of a bought-deal public offering (Note 13(b)(ii)) and the Company recognized a $30,821 loss on settlement of promissory notes in the September 30, 2022 consolidated statement of loss and comprehensive loss.

A continuity of promissory notes is summarized in the following table:

Issued (Note 4)	$	3,000,000
Issue date fair value adjustment		(124,096)
		2,875,904
Accretion		101,510
Repayment		(2,000,000)
Loss on settlement		30,821
Balance, September 30, 2022	$	1,008,235

During the three and nine months ended September 30, 2022, the Company recognized $12,602 and $52,739, respectively, of interest expense (Note 19) on the promissory notes. As at September 30, 2022, accounts payable and accrued liabilities included $36,301 of accrued interest.

(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 the assets of PHB and is in place for 18 months to November 4, 2023. A fee of $65,625 equal to 1.75% of the maximum amount of the Credit Facility is assessed annually and paid via proceeds from eligible accounts receivable which are first applied against the annual fee until fully repaid and next against accrued and unpaid interest. Proceeds from eligible accounts receivable in excess of the annual fee and accrued interest are paid to the Company. The annual fee is amortized to interest and accretion expense on a straight-line basis.

As at September 30, 2022, the balance drawn on the Credit Facility was $1,807,000. During the three and nine months ended September 30, 2022, the Company recognized $43,144 and $56,428, respectively, of related interest expense and $16,407 and $21,876, respectively, of annual fee amortization (Note 19) in the consolidated statement of loss and comprehensive loss.

(Stated in United States dollars)

10. CONVERTIBLE NOTES

A continuity of convertible notes (the "Notes") is summarized in the following table:

		Principal amount (CAD)		Debt portion (USD)		Derivative liability (USD)
Balance, December 31, 2021	$	4,845,000	$	2,804,864	$	7,084,160
Accretion		–		856,188		–
Fair value adjustment		–		–		(4,668,685)
Foreign exchange		–		(264,650)		(158,986)
Balance, September 30, 2022	$	4,845,000	$	3,396,402	$	2,256,489

The Notes accrue a simple rate of interest at 2% per annum, payable semi-annually, mature on November 12, 2022, and are convertible at CAD $0.34 per SVS if converted prior to maturity or CAD $0.28 per SVS if automatically converted on the maturity date (Note 23 (b)). As the Notes did not have a fixed conversion price at the issue date, they did not meet the fixed-for-fixed criteria, and the fair value of the conversion feature was classified as a derivative liability.

On September 30, 2022, the Company re-measured the estimated fair value of the derivative using the Black-Scholes model based on the following assumptions:

Expected volatility	196%	Expected dividend yield	nil
Expected life	0.1 years	Risk-free interest rate	3.79%
Share price	CAD $0.46 (1)	Fair value per SVS	CAD $0.18

(1) The market value of the Company's shares on September 30, 2022 of CAD $0.61 net of a 25% discount for lack of marketability.

During the three and nine months ended September 30, 2022, the Company recognized $18,707 and $56,493 (three and nine months ended September 30, 2021 – $26,288), respectively, of interest expense (Note 19) on the Notes. As at September 30, 2022, accounts payable and accrued liabilities included $90,481 (December 31, 2021 – $40,658) of accrued interest.

11. GOVERNMENT LOAN

In 2020, the Company executed 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 October 11, 2022 and matures on June 22, 2050.

Balance, December 31, 2021	$	18,530
Accretion		2,639
Balance, September 30, 2022	$	21,169

During the nine months ended September 30, 2022, the Company recognized $4,207 (nine months ended September 30, 2021 – $4,219) of related interest expense (Note 19) in the consolidated statement of loss and comprehensive loss.

(Stated in United States dollars)

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Right-of-use assets		Cost		Accumulated depreciation		Carrying amount
Balance, December 31, 2021	$	583,786	$	(19,255)	$	564,531
Depreciation expense		–		(87,561)		(87,561)
Balance, September 30, 2022	$	583,786	$	(106,816)	$	476,970

During the nine months ended September 30, 2022, the Company recognized $110,982 of depreciation expense comprised of $87,561 on right-of-use assets and $23,421 on other property and equipment (nine months ended September 30, 2021 – $6,191 of depreciation expense on other property and equipment).

Lease liability		
Balance, December 31, 2021	$	570,673
Lease payments		(109,134)
Imputed interest		40,461
Balance, September 30, 2022		502,000
Current portion		(102,538)
Non-current portion	$	399,462

As at September 30, 2022, the remaining expected annual undiscounted lease payments are as follows:

	Remainder of 2022	2023	2024	2025	2026	Total
Annual lease payments	$36,849	$148,811	$151,321	$150,126	$127,180	$614,287

13. SHARE CAPITAL

(a) Authorized – an unlimited number of SVS and MVS, with each MVS equivalent to 100 SVS

(b) Equivalent SVS Issued

	Number of shares		Amount
Balance, December 31, 2021	82,300,948	$	22,636,830
Exercise of warrants (i)	301,680		134,295
Bought-deal public offering (ii)	10,062,500		6,287,589
Share issue costs (ii)	–		(788,122)
Balance, September 30, 2022	92,665,128	$	28,270,592

(i) On January 31, 2022, the Company issued 1,680 SVS on the exercise of 1,680 Agent Warrants for cash proceeds of $528 (CAD $672). On July 29, 2022, the Company issued 300,000 SVS on the exercise of 300,000 Performance Warrants for cash proceeds of $58,484 (CAD $75,000). Included in the amount for exercised warrant is $75,283 for the allocation of fair value (Note 14).

(ii) On March 15, 2022, the Company closed a bought-deal public offering ("the Offering") of 10,062,500 SVS at a price of CAD $0.80 per SVS for gross proceeds of approximately $6,287,589 (CAD $8,050,000), including 1,312,500 SVS shares issued to the Agent following the exercise of their over-allotment option. The Agent received a cash fee of $503,007 (CAD $644,000) equal to 8% of the gross proceeds of the Offering plus a $66,391 (CAD $85,000) advisory fee. The Company incurred $218,724 of other share issue costs.

(Stated in United States dollars)

14. WARRANTS

Exercisable into SVS	Weighted average exercise price (CAD)	Number of warrants		Amount
Balance, December 31, 2021	$ 0.28	11,518,305	$	2,819,127
Exercised (Note 13(b)(i))	(0.25)	(301,680)		(75,283)
Balance, September 30, 2022	$ 0.28	11,216,625	$	2,743,844

Exercisable into MVS	Weighted average exercise price (CAD)	Number of warrants		Amount
Balance, December 31, 2021 and September 30, 2022	$ 1.00	180,000	$	–

Information about warrants outstanding as at September 30, 2022 is summarized below:

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
$ 0.40	2,516,625	2.2	2,516,625
0.25	8,700,000	4.1	2,850,001
$ 0.28	11,216,625	3.7	5,366,626
$ 1.00	180,000	3.9	–

During the three and nine months ended September 30, 2022, the Company recognized $nil (three and nine months ended September 30, 2021 – $2,360,783), respectively, of equity-based compensation related to warrants.

15. STOCK OPTIONS AND RESTRICTED SHARE UNITS

(a) Stock options

	Weighted average exercise price (CAD)	Number of options
Balance, December 31, 2021	$ 0.65	785,000
Granted	0.60	1,241,287
Forfeited	(0.87)	(210,000)
Balance, September 30, 2022	$ 0.60	1,816,287

On January 26, 2022, the Company granted 440,000 stock options exercisable at CAD $0.87 per SVS until January 26, 2025 to the founder and former CEO of RightRice® and four RightRice® team members who joined the Company. Vesting terms are as follows:

- 120,000 stock options vested immediately;
- 200,000 stock options vest 25% every three months from the grant date to January 23, 2023;

(Stated in United States dollars)

- 120,000 stock options vest one-third on the first, second and third anniversaries of the grant date.

The grant date fair value of the stock options was determined to be $250,555 (CAD $315,850) using the Black-Scholes model based on the following assumptions:

Expected volatility	122%	Expected dividend yield	nil
Expected life	3 years	Risk-free interest rate	1.42%
Share price	CAD $0.98	Fair value per option	CAD $0.72

On July 29, 2022, the Company granted the following stock options to purchase SVS of the Company:

- 436,590 stock options to two investor relations advisors. The stock options have a five-year term from the grant date and vest semi-annually in six equal tranches over three years from the grant date. 240,000 stock options are exercisable at CAD $0.50 per SVS and 196,590 stock options are exercisable at CAD $0.44 per SVS.
- 60,000 stock options to a director of the Company exercisable at $0.44 per SVS for a five-year term from the grant date. The stock options vest semi-annually in six equal tranches over three years from the grant date.
- 304,697 stock options to certain employees and contractors of the Company exercisable at CAD $0.44 per SVS for a five-year term from the grant date. The stock options vest quarterly in 12 equal tranches over three years from the grant date.

The grant date fair value of the stock options was determined to be $237,453 (CAD $304,510) using the Black-Scholes model based on the following assumptions:

Expected volatility	131%	Expected dividend yield	nil
Expected life	5 years	Risk-free interest rate	2.66%
Share price	CAD $0.44	Fair value per option	CAD $0.38

Information about stock options outstanding as at September 30, 2022 is summarized below:

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
$ 0.44	561,287	4.8	–
0.50	240,000	4.8	–
0.65	785,000	3.7	40,000
0.87	230,000	2.3	115,000
$ 0.60	1,816,287	4.0	155,000

(b) Restricted share units

On July 29, 2022, the Company granted 2,516,434 restricted share units (“RSUs”) to certain directors, officers and employees of the Company to purchase SVS of the Company. The RSUs have a five-year term from the grant date and vest annually in three equal tranches over three years from the grant date.

An RSU entitles the holder to receive one SVS for each RSU after the specified vesting period. Upon settlement, holders will receive (i) one SVS in respect of each vested RSU or (ii) subject to approval of the Company’s Board of Directors, a cash payment determined by multiplying the number of RSUs settled by the market price of the Company’s shares on the settlement date or (iii) a combination of (i) and (ii).

The grant date fair value of these RSUs was determined to be $863,405 based on the $0.34 (CAD $0.44) market price of the Company's common shares on the grant date.

(Stated in United States dollars)

(c) Equity-based compensation

During the three and nine months ended September 30, 2022, the Company recognized $398,147 and $640,496, respectively (three and nine months ended September 30, 2021 – $2,360,783) of equity-based compensation related to stock options and RSUs. The remaining unrecognized fair value at September 30, 2022 is $1,121,900.

16. PER SHARE AMOUNTS

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Net loss	$ (4,995,657)	$ (7,573,700)	$ (4,568,124)	$ (8,963,958)
Weighted average number of shares outstanding				
Basic and diluted	92,570,563	53,561,810	87,839,973	47,931,161
Net income (loss) per share				
Basic	$ (0.05)	$ (0.14)	$ (0.05)	$ (0.19)
Diluted	$ (0.05)	$ (0.14)	$ (0.05)	$ (0.19)

The effect of convertible debt, warrants and stock options is anti-dilutive in loss periods.

17. REVENUES AND SEGMENT REPORTING

The Company earns revenue from product and service sales to Canadian and U.S. customers, which is derived from one operating segment. All of the Company's non-current assets are located in the U.S.

Geographical gross revenue is summarized as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Canada	$ 46,533	$ 897	$ 93,382	$ 19,841
U.S.	3,627,093	767,693	9,455,504	2,285,708
	$ 3,673,626	$ 768,590	$ 9,548,886	$ 2,305,549

During the nine months ended September 30, 2022, the Company derived approximately 61% of its gross revenues from three direct customers and through various direct-to-consumer e-commerce platforms which are more diverse, having several consumer customers purchasing within the e-commerce platforms (nine months ended September 30, 2021 – 87% from three customers).

(Stated in United States dollars)

Sales channel net revenues are summarized as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Wholesale	$ 1,664,505	$ 4,798	$ 4,758,943	$ 343,696
Non-traditional	147,345	551,028	315,671	1,467,212
E-commerce	872,574	93,963	2,091,263	255,951
	$ 2,684,424	$ 649,789	$ 7,165,877	$ 2,066,859

Other segmented information:

	As at September 30, 2022		As at December 31, 2021	
	Canada	U.S.	Canada	U.S.
Trade accounts receivable	$ 29,270	$ 1,553,228	$ –	$ 111,442
Accounts payable and accrued liabilities	$ 758,817	$ 3,852,091	$ 725,601	$ 614,599

18. SELLING, GENERAL AND ADMINISTRATIVE

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Payroll and recruiting	$ 871,783	$ 523,580	$ 2,636,216	$ 1,184,950
Professional fees	273,507	724,636	1,850,116	879,770
General office expenses	256,842	148,011	684,410	360,964
Outbound freight	436,851	86,223	1,101,313	204,380
Advertising and marketing	969,050	594,631	2,851,084	1,597,877
	$ 2,808,033	$ 2,077,081	$ 9,123,139	$ 4,227,941

(Stated in United States dollars)

19. INTEREST AND ACCRETION

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Short term debt and convertible debentures	$ –	$ 30,085	$ –	$ 122,601
Promissory notes (Note 9(a))	12,602	–	52,739	–
Credit facility (Note 9(b))	59,551	–	78,304	–
Convertible notes (Note 10)	18,707	26,288	56,493	26,288
Government loans (Note 11)	1,418	1,406	4,207	4,219
Imputed interest on lease liability (Note 12)	12,919	–	40,461	–
Accretion of promissory notes (Note 9)	34,899	62,829	101,510	62,829
Accretion of convertible notes (Note 10)	309,264	–	856,188	–
Accretion of government loans (Note 11)	919	2,383	2,639	11,436
Other interest, net of minor interest income	97	23,806	(1,950)	40,712
	$ 450,376	$ 146,797	$ 1,190,591	$ 268,085

20. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and initially measured at fair value. Amounts payable to related parties are unsecured, due on demand and bear no interest.

(a) As at September 30, 2022, due to related parties included $5,952 (December 31, 2021 – $59,924) of reimbursable corporate expenses

(b) During the nine months ended September 30, 2022, $nil (nine months ended September 30, 2021 – $61,895) of compensation to PHB's founding members was deferred to assist in funding operations. As at September 30, 2022, due to related parties included $nil (December 31, 2021 – $nil) of deferred compensation.

(c) During the nine months ended September 30, 2022, the Company incurred $nil (nine months ended September 30, 2021 – $10,296) of consulting fees charged by a founding member of PHB and $70,345 (nine months ended September 30, 2021 – $10,056) of consulting fees charged by the sibling of a founding member. As at September 30, 2022, accounts payable and accrued liabilities included $8,000 (December 31, 2021 – $1,310) due to these related parties.

(d) A founder of PHB is also a shareholder in another company that sells services to the Company. During the nine months ended September 30, 2022, the Company was charged $nil (nine months ended September 30, 2021 – $15,078) by the related company. As at September 30, 2022, accounts payable and accrued liabilities included $nil (December 31, 2021 – $nil) due to the related company.

(Stated in United States dollars)

21. LIQUIDITY RISK

As at September 30, 2022, the Company's total liabilities exceeds its total assets. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future equity and debt financings.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual payments as at September 30, 2022:

	Carrying amount	Less than 1 year	1 to 2 years	2 to 5 years	5 years +	Total contractual amount
Accounts payable and accrued liabilities	$ 4,610,908	$ 4,610,908	$ –	$ –	$ –	$ 4,610,908
Promissory notes	1,008,235	1,000,000	–	–	–	1,000,000
Credit facility	1,807,000	1,807,000	–	–	–	1,807,000
Convertible notes	3,396,402	3,759,894	–	–	–	3,759,894
Due to related parties	5,952	5,952	–	–	–	5,952
Government loans	21,169	1,586	6,362	11,242	130,810	150,000
Lease liability	502,000	36,849	148,811	301,447	127,180	614,287
	$ 11,351,666	$ 11,222,189	$ 155,173	$ 312,689	$ 257,990	$ 11,948,041

The Company's contractual liabilities include Notes totaling $3,759,894 (CAD $4,845,000) (Note 10) which were automatically converted to SVS on November 12, 2022 (Note 23 (b)).

22. REVERSE TAKEOVER

On August 24, 2021, TPHC and PHB entered into an arms-length Securities Purchase Agreement (the "Transaction") by way of a reverse takeover ("RTO") of TPHC by PHB with the goal of listing the consolidated company on the TSX Venture Exchange. The Transaction resulted in PHB becoming a wholly-owned operating subsidiary of TPHC and the primary business of the Company.

Pursuant to the Transaction, TPHC acquired, from each PHB unitholder, all PHB units on the basis of one Multiple Voting Share ("MVS") exchanged for every one hundred PHB units held or one Subordinate Voting Shares ("SVS") exchanged for every one PHB unit held. The total purchase price for all the issued and outstanding 45,069,173 PHB units consisted of 450,659 newly issued MVS and 3,273 newly issued SVS issued to PHB unitholders, for an aggregate equivalent of 45,069,173 SVS. In addition, the parties agreed to issue 930,825 employee warrants with the right to purchase 930,825 SVS for which issuance occurred on November 1, 2021.

Based on the guidance of IFRS 10 Consolidated Financial Statements, TPHC was determined to be the accounting acquiree with PHB as the accounting acquirer since the shareholders of PHB now control TPHC.

The share consideration was valued at CAD $0.40 per share which was deemed to be the fair value price per SVS. As a result of the Transaction, the shareholders of TPHC obtained approximately 15% of the combined entity. As such, PHB calculated the fair value of the 15% ownership percentage obtained by TPHC shareholders to be the value of the share consideration.

(Stated in United States dollars)

As TPHC was determined not to be a business as defined under IFRS 3 Business Combinations, the RTO was accounted for as an asset acquisition and the Company recognized a merger transaction cost of $3,651,119 based on the Transaction purchase price allocation summarized below:

Consideration:		
Value of equity instruments	$	2,632,356
Value of net liabilities:		
Cash		887,435
Convertible loan receivable [(1)]		1,869,661
Accounts payable and accrued liabilities		(175,521)
Derivative liability		(1,252,621)
Convertible debt		(2,347,717)
Total		(1,018,763)
Merger transaction cost	$	3,651,119

(1) The convertible loan receivable owed to TPHC by PHB was effectively settled on August 24, 2021 upon completion of the Transaction, resulting in the recognition of a $566,479 gain in other income.

23. SUBSEQUENT EVENTS

(a) Convertible debentures

On October 21, 2022, the Company closed a private placement of convertible debentures for gross proceeds of $1,621,566 (CAD $2,223,750), representing the base principal amount of the convertible debentures. The base principal amount bears interest at 12% per annum, payable semi-annually in arrears, to 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 TSX Venture Exchange) based on the closing price of the Company’s shares on the date immediately preceding the interest payment due date.

The face value of the convertible debentures is $2,490,600 representing the base principal plus 12% of bonus interest. The base principal amount is convertible, at the option of the holder, into units at CAD $0.55 per unit until October 20, 2025 (the “maturity date”). Each unit will be 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 the election of the Company, all bonus interest and accrued and unpaid interest in respect of the base principal amount may be paid in cash or converted into SVS at the Interest Conversion Price.

The Company paid $115,112 (CAD $157,860) of finders fees in connection with the private placement.

Two officers and directors of the Company subscribed for $21,876 (CAD $30,000) principal amount of convertible debentures.

The convertible debentures, units, SVS, warrants and any underlying securities of the Company issuable on conversion or exercise thereunder (collectively, the “Securities”) are subject to a hold period and may not be traded until February 21, 2023, except as permitted by applicable securities legislation and the rules and policies of the TSX Venture Exchange. In addition, such Securities will not be transferable or saleable until April 21, 2023, being that date that is six months and one day following the closing of the private placement in addition to any resale and transfer restrictions under applicable securities laws and stock exchange policies.

(b) Convertible notes

On November 12, 2022, the Company converted CAD $4,845,000 principal amount of Notes (Note 10) plus accrued and unpaid interest into 17,787,278 SVS at a conversion price of CAD $0.28 per SVS.