THE PLANTING HOPE COMPANY INC.

Management's Discussion and Analysis
For the three months and year ended December 31, 2022

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 months and year ended December 31, 2022.

This MD&A is dated as of **May 1, 2023** and should be read in conjunction with the Company's December 31, 2022 audited consolidated financial statements. 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 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. 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 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 "Non-IFRS and Other Financial Measures" sections at the end of this MD&A for further information.

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

Throughout the following discussion, the three months and year ended December 31, 2022 may be referred to as "Q4 2022" and "FY 2022", respectively, or "the 2022 periods" collectively. The comparative three months and year ended December 31, 2021 may be referred to as "Q4 2021" and "FY 2021", respectively, or "the 2021 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 statement 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:

- Business objectives and milestones; and
- Adequacy of the 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 it 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 Company's mission is to develop, launch, and scale nutritious, sustainable, and delicious plant-based consumer packaged foods and beverages in Grocery Retail, Foodservice, E-commerce, and Alternative channels in the United States and Canada, with future expansion to other global markets. The Company's products are designed specifically to provide key advances in their categories in nutrition, sustainability, and performance, and represent meaningful disruptive innovation for consumers, retailers, and Foodservice operators. The Company's products are targeted to displace existing products with new food and beverage innovation that provides better performance, nutrition, supply chain reliability, functionality, cost, and taste in some of the largest food and beverage categories worldwide.

The Company strives to operate as a diverse, ethical, and sustainable producer of nutritious, plant-based foods and snacks that leverage planet-friendly packaging, ingredients, and production processes. The Company has three mission pillars:

- Nutrition – delivering strong nutritional benefits from food and beverages, including protein and complete protein (all nine essential amino acids), dietary fiber, and vitamins and minerals.
- Sustainability – striving to use the most "planet-friendly" ingredients, packaging, and supply chain.
- Representation – building out a team and network of partners who bring forward representation of groups traditionally underrepresented in Food & Beverage and public companies (including women and ethnic and other minorities), and in doing so better reflect the core consumer base leading the adoption of innovative new plant-based food & beverage products.

PHB operations are based at our Chicago, IL headquarters (4710 N. Sheridan Road, Chicago, IL 60640). The Company develops, produces, markets, and distributes branded plant-based food and beverage products including:

- Hope and Sesame® Sesamemilk: sesame-based plant milk products that provide vegan alternatives to dairy-based milk products and leverage food technology and complex process development to innovate unique, nutritious, delicious, and sustainable plant-based milk products. These products are designed with Foodservice performance in mind (frothing, foaming, steaming, latte art, in hot and iced beverages), opening up large scale opportunities in the cafe channel as well as Grocery Retail, with a product that has superior performance, better nutrition, and better sustainability than established options like almond milk. Hope and Sesame® Sesamemilk is one of the first ever plant milks to receive Upcycled Food Association Certification, as the core ingredient is the nutritious pulp remaining from sesame oil extraction. The Plant-Based Milk and Creamer industry in the US alone is currently estimated at more than $6 billion ($3.5 billion in Grocery Retail[1], $3 billion in Foodservice[2]) and upwards of $35 billion globally, with a CAGR of 15%[3], driven by a high level of global lactose intolerance. To the Company's knowledge, Hope and Sesame® Sesamemilk is currently the only commercialized sesame milk worldwide based on sesame protein as the core ingredient and offering comparable nutrition to dairy milk, with 8g of complete protein per serving.
- RightRice® Veggie Rice: 'rice' grains made from a combination of lentils + chickpeas + peas + rice, a unique product innovation which performs and tastes like rice and provides 11g of complete protein (a Good Source of Protein) and 6g of dietary fiber (an Excellent Source of Fiber) per serving. It has more protein and fiber than quinoa, with 40% fewer carbohydrates than white rice, one of the world's most heavily consumed grains. Rice is also one of the top worldwide polluters, responsible for more than 10% of global methane emissions[4]; RightRice® uses only 10% rice flour, with 90% of each grain composed of lentils, chickpeas, peas, dramatically reducing the comparative environmental impact generated from an equivalent portion of white rice. RightRice® products perform 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 US quinoa market alone is estimated at more than $800 million and growing[5]. To the Company's knowledge, RightRice® Veggie Rice is the only veggie-based rice alternative that provides an easy rice alternative

[1] https://www.plantbasedfoods.org/2022-u-s-retail-sales-data-for-the-plant-based-foods-industry/
[2] Company estimates based on Café usage of plant-based milks reported by Foodservice distributors.
[3] https://www.globenewswire.com/news-release/2022/12/21/2577853/0/en/plant-based-milk-market-sales-data-pointing-123-billion-industry-opportunity-emerging-leader-in-functional-beverages-dairy-alternatives.html
[4] https://blogs.worldbank.org/eastasiapacific/greening-rice-we-eat
[5] https://www.factmr.com/report/1186/quinoa-market

supplying complete protein from a combination of rice flour and a complement of nutritious vegetables, effectively ‘rice and beans’ in the same grain.

- Mozaics™ Real Veggie Chips: popped potato chips with real vegetables (peas, beans), visible in each chip as the principal ingredients. As a result, Mozaics™ deliver protein and dietary fiber from a delicious low-calorie, salty snack that eats like a potato chip. Mozaics™ are packaged in NEO Plastics film, which degrades in any waste stream without special handling, releasing a biogas harvested in landfills as a clean energy source. Mozaics™ offer a better-for-you chip that tastes great, filling an important void in the Potato Chips and Crisps space, estimated at more than $12 billion in the US alone[6].
- Veggicopia® Real Veggie Snacks: portable, convenient, long shelf-life veggie-based snacks that require no refrigeration:
    - Veggicopia® breakthrough shelf-stable dip cups (hummus, black bean, etc.) are as delicious as refrigerated dips but with 24 months of shelf-life (up to 24 time the shelf life of refrigerated dips), with no refrigeration required (making the products more planet-friendly and curtailing food waste), through recipes and ingredient technology developed in partnership with a Michelin starred chef.
    - Veggicopia® Greek Snack Olives offer shelf-stable, long shelf-life, brine-free portions of keto- and paleo-friendly olives anytime, anywhere. Veggicopia® Olives are packaged in Greece within a close radius of where the olives are grown and harvested, then cured in salt or wine vinegar. This natural curing process is part of the Greek standard of identity for olives, differing significantly from common pasteurization techniques used in olive canning practices in the United States (tied to increased levels of acrylamide, a substance tied to a risk of cancer, per the National Toxicology Program’s Report on Carcinogens[7]). Veggicopia® snacks provide significant breakthroughs in the Healthy Snacks space, a market estimated at more than $20 billion and scaling rapidly.[8]

In total, the Company’s products address markets that in the US alone are estimated at an aggregate of $39 billion in 2022 and are some of the fastest growing food categories in food and beverage globally.

The Company currently does not have any manufacturing operations but instead has developed a network of GFSI-certified contract manufacturers to produce our products under our brands to specific recipes and formulations. Some proprietary ingredients are provided to these contract manufacturers ‘white labeled’ so as to additionally protect intellectual property. In addition to the Company’s full-time Sales and Marketing teams, the Company has also established a network of third-party sales agents, brokers, and distributors to sell products directly to distributors, retailers, and Foodservice partners.

[6] https://www.marketdataforecast.com/market-reports/north-america-potato-chips-and-crisps-market

[7] https://newhopemedicalcenter.com

[8] https://www.grandviewresearch.com/industry-analysis/healthy-snack-market

BUSINESS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2022

Acquisition of RightRice® Business Assets

On January 14, 2022, the Company closed the arm's-length acquisition of certain RightRice® business assets (the "Acquisition") from Betterer Foods, Inc. This acquisition added a high-potential line of innovative and differentiated grain alternative products to the Company's growing portfolio of plant-based, planet-friendly, highly nutritious brands.

The aggregate purchase price of $6,875,904 was 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.

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		2,875,904
	$	6,875,904
Fair value of net assets:		
Working capital	$	1,122,621
Intangible assets		3,510,000
Goodwill		2,243,283
	$	6,875,904

Bought-Deal Public Offering

On March 15, 2022, the Company closed a bought-deal public offering ("the Offering") of 10,062,500 subordinated voting shares ("SVS") of the Company 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.

Convertible Note Conversion

On November 12, 2022, the maturity date unsecured convertible notes (the "Notes") issued in 2021, the Company issued 17,303,571 SVS on the automatic conversion of $3,646,147 (CAD $4,845,000) principal amount of the Notes.

Convertible Debenture Issuance

On October 21, 2022, the Company closed a private placement of convertible debentures (the "2022 Debentures") for gross proceeds of $1,621,559 (CAD $2,223,750), representing the principal amount of the 2022 Debentures. The principal amount bears interest at 12% per annum, payable semi-annually in arrears and matures on October 20, 2025 (the "maturity date"). The 2022 Debentures are convertible 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 SVS at an exercise price of CAD $0.80 at any time prior to the maturity date. "Liquidity and Capital Resources – 2022 Debentures" for additional information and details when the 2022 Debentures may be converted into SVS.

Private Placement

On December 23, 2022, the Company closed a non-brokered private placement of 2,000,272 units ("the Private Placement") at a price of CAD $0.50 per unit for gross proceeds of $735,232 (CAD $1,000,136). Each unit is comprised of one SVS and one warrant exercisable at CAD $0.80 per SVS until December 23, 2025. If at any time following the expiry of a six-month contractual hold period, the closing price of the Company's shares on the TSX-V is greater than CAD $1.20 for 20 or more consecutive trading days, the Company may give notice to the holders of unexercised warrants that the warrants will expire on the 30th business day following the date of such notice.

Key Growth Achievements in Q4 2022 and FY 2022:

Financial Growth:

2022 was a record-breaking year in sales for the Company.

During Q4 2022, the Company achieved the following growth versus Q4 2021:

- Earned $2.7 million of gross revenues, an increase of 642%.
- Earned $1.8 million of net revenues, an increase of 613%.

During FY 2022, the Company achieved the following growth versus FY 2021:

- Earned $12.2 million of gross revenues, an increase of 358%.
- Earned $9.0 million of net revenues, an increase of 287%

Additional Growth:

- Closed the Acquisition of the RightRice® business assets for $6.9 million; the Company has successfully integrated RightRice® products and operations into its Sales and Operating organizations.
- Achieved a significant distribution milestone with products in more than 10,000 Grocery Retail store doors, representing more than 60,000 total distribution points ("TDP") across the Company's product lines and brands. Grocery Retailers include Kroger, Hannaford, Stop & Shop, Giant Company, Loblaws, Sprouts Farmers Markets, Walmart Canada, Publix, and other marquee regional and national retail chains.
- The acquisition of RightRice® Veggie Rice opened significant growth opportunities for the Company. RightRice® products are currently offered nationwide in more than 7,000 doors across Conventional and Natural Grocery Retailers. During 2022, the Company added upwards of 1,500 doors to the distribution post-acquisition, including in leading Southeastern U.S. retailer, Publix. RightRice® has established strategic Foodservice distribution in Quick Service Restaurants (QSRs) like CAVA. Going forward, Foodservice represents a sizable and important expansion channel for RightRice®, including college/university, corporate and institutional, and other Foodservice operations seeking to expand nutritious, operationally effective plant-based options to their menus.
- The launch of the Hope and Sesame® Non-GMO shelf-stable product line in aseptic Tetra Pak® cartons was completed, to replace and expand the beta-test of Organic Hope and Sesame® product range and packaging/branding. With the new Hope and Sesame® product line ready for full distribution, the Company added Hope and Sesame® Sesamemilk SKUs to regional Grocery Retailers including Stop & Shop, Giant Company, Sprouts Farmers Market, Woodman's Markets, Gristedes, and Roche Bros.
- Launched bilingual packaging for the Canadian market for the top-selling Hope and Sesame®, RightRice®, and Mozaics™ products, achieving initial and growing distribution in Canadian retailers starting in Q4 2022.
- Rolled out Hope and Sesame® Barista Blend Sesamemilk into independent cafés and Foodservice distributors. Café/barista, distributor, and consumer reception has exceeded expectations, and Barista Blend started shipping to cafés via a network of Foodservice distributors in Q2 2022. To date Barista Blend has launched into more than 10 regional Foodservice distributors across the United States and Canada, including launching the Barista Blend product into Baldor Distributors in New York City with a reach of more than 4,600 independent café locations across five boroughs of NYC and extending the reach to hundreds of additional locations from Boston to Washington DC metro via Baldor Distributors' extended sales and distribution network.
- Achieved item numbers and distribution of Hope and Sesame® and RightRice® SKUs at Dot Foods, the largest redistributor to Foodservice in the United States. An important part of the Company's strategy to focus on Foodservice distribution and channel development in 2023 and beyond, Dot Foods provides the linchpin to open Foodservice channel development, enabling the Company's products to be accessed and ordered by more than 4,500 distributors reaching more than 200,000 Foodservice outlets.
- Mozaics™ Non-GMO Real Veggie Chips relaunched in sustainable NEO Plastics packaging film in Q4 2021 to e-commerce channels, replacing previous beta-test with Organic product and branding. Mozaics™ Non-GMO chips are now available to Grocery retailers and Foodservice through multiple distributors nationwide and in Canada, including multiple UNFI and KeHE distribution warehouses in both 0.75 oz snack and 3.5 oz retail sizes. In Q4 2022, Mozaics™ launched all 3 flavors across 382 Sprouts Farmers Market stores.
- Continued e-commerce growth and expansion, with more than 36,000 customers purchasing products on Amazon.com through Q4 2022, with an exceptionally high average consumer product rating of 4.2/5 stars. The

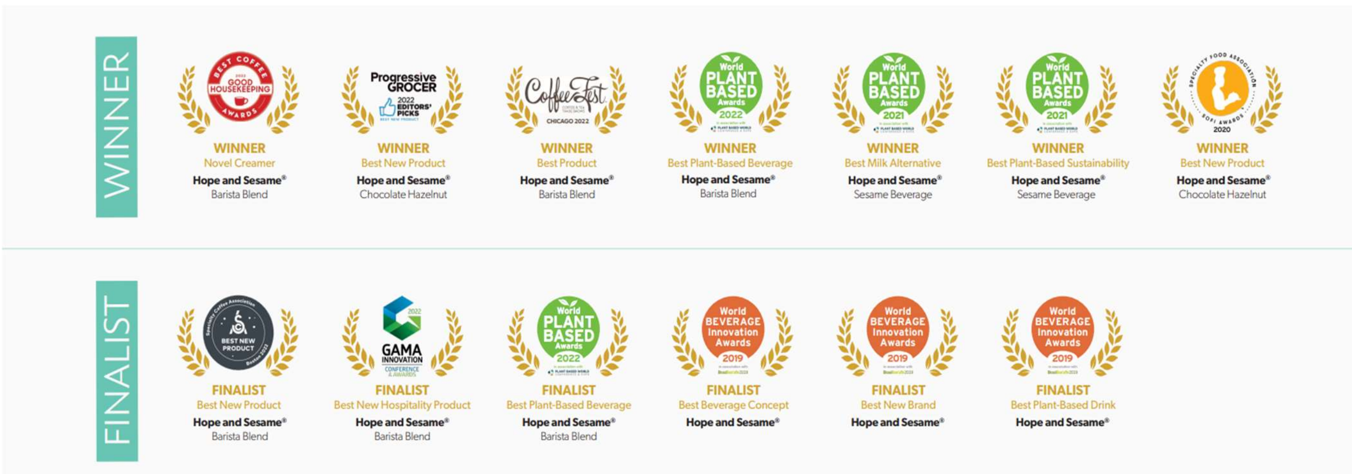
Company has continued to expand e-commerce availability of its products with additional listings on Amazon.com, Amazon.ca, QVC.com, and US Army and Air Force Exchange Service's website, www.shopmyexchange.com. The Company has also added new wholesale listings on wholesale e-commerce site Faire.com and seasonal RightRice® Holiday SKU listings on Amazon.com and ThriveMarket.com. Additionally, the Company launched an enhanced webstore enabling all of its products to be sold directly to consumers across the United States at www.plantinghopebrands.com. This webstore promotes cross-selling of brands and products to customers. By the end of 2022, over 37% of webstore sales were from repeat customers. This direct-to-consumer webstore enables the Company to build direct relationships with its core consumer audience and generate profitable sales and marketing opportunities while simultaneously providing an outlet for any shorter code items or discontinued packaging and product lines, adding to operational efficiency for the Company.

- During 2022 as part of a continuous improvement process, the Company conducted a review/assessment of ADA compliance across Company websites offering direct-to-consumer purchases. During this review, all consumer-facing transactional websites were reviewed: www.plantinghopecompany.com, www.rightrice.com, www.mozaicschips.com, www.veggicopia.com, www.hopeandsesame.com, and www.plantinghopebrands.com. In support of the Company's commitment to ADA website aids, the full Customer Service, E-commerce, and Information Technology teams were trained on ADA website requirements and tools. The site review, recommendations on updates for accessibility improvements, and accessibility website training was conducted in partnership with accessibility-certified ecommerce ADA compliance experts, Sandstorm Design. The Company has prioritized these website improvements to enable full ADA accessibility and compliance, and is in the process of implementing the recommendations in early 2023.
- Growth in Alternative Channels, including QVC. In 2022, RightRice®, Mozaics™, and Veggicopia® Olives achieved critical sales benchmarks on QVC, enabling these products to be eligible for periodic repeat sales events on QVC, the leading TV and online-broadcast based home shopping retailer. The products retailed through QVC (live broadcasts and e-commerce sales) are unique assortments not otherwise available through Grocery Retail. Each broadcast opportunity generates revenue and margin-accretive sales while simultaneously marketing the products to millions of viewing consumers. Altogether, in 2022 the Company's brands received more than 20 main channel airings equivalent to more than 175 minutes of national broadcast airtime to consumers. In August 2022, RightRice® and Mozaics™ were named finalists in QVC's 2022 Customer Choice® Food Awards.
- The Company also expanded distribution with e-tailers, including Hungryroot.com, where Mozaics™ Salsa 0.75oz size and Veggicopia® Green and Kalamata Olives have been added to the product mix.

Achievements in FY 2022 Include:

- In August 2022, the Company's shares began trading on the OTCQB market under the symbol "MYLKF" and became eligible for electronic clearing and settlement through the DTC in the United States.
- In the last half of 2022, the Company participated in several highly curated investor conferences and investor webcasts, including: Canaccord Genuity 42nd Annual Growth Conference (August 2022), Planting Hope Investor Webcast (August 2022), Emerging Growth Conference (August 2022), the 24th Annual HC Wainwright Global Investment Conference (September 2022), the Annual Microcap Rodeo Conference (October 2022), and the CEM Conference - Hollywood, FL (November 2022). Each conference provided an opportunity for investors to learn more about the Company, its performance, and the leading role its breakthrough products are playing in disrupting the plant-based food and beverage markets.
- Augmented the Management Team to support the growth initiatives with the right skills and talent, with new additions: Vice President of E-commerce, Operations Manager, Sales Director – Natural Channel, Sales Director – Grocery Channel, and Product & Culinary Development Chef. Three former employees were transitioned.
- With the return of in-person food trade shows post-COVID, many of which had been paused since 2019, the Company invested in attending and exhibiting at industry trade shows throughout 2022, including: Winter Fancy Food Show (Las Vegas/February 2022), CoffeeFest NYC (NYC/March 2022), Natural Products Expo West (Anaheim, CA/March 2022), Specialty Coffee Expo (Boston/April 2022), CHFA West (Vancouver/April 2022), National Restaurant Association Show (Chicago/May 2022), Sweets and Snacks Expo (Chicago/May 2022), UNFI Holiday Show (Mohegan Sun/June 2022), Summer Fancy Food Show (NYC/June 2022), KeHE Distributor Show (Chicago/June 2022), CoffeeFest Chicago (June 2022), Carmela Specialty Foods Expo (August 2022), CoffeeFest Los Angeles (September 2022), Plant-Based World NYC (September 2022), CHFA (September 2022), CoffeeFest Seattle (October 2022), and UNFI Show (October 2022). Across these tradeshows the Company's brands and products were introduced to retail buyers, distributors, and Foodservice operators, including independent café baristas and owners.

- Given the interest of media outlets in the story of Planting Hope and its brands, the Company enlisted a new PR agency in Q2 2022 to focus on earned media in the Consumer, Business, and Trade press, and saw a significant lift in national and regional media attention, including articles and mentions of its products. The Washington Post, Good Morning America, Consumer Reports, Good Housekeeping, Fox and Friends, and others reported on sesame milk as an up-and-coming new food trend on multiple occasions throughout Q3 and Q4 2022.
- Hope and Sesame® continued to win awards from top industry groups. In total, by the end of 2022 Hope and Sesame® Sesamemilk had won seven major national and international industry awards and been a Finalist for an additional six awards encompassing performance, taste, and breakthrough product innovation. Hope and Sesame® Barista Blend Sesamemilk won the Best Plant-based Beverage in the 2022 World Plant Based Awards, was awarded Best Novel Creamer by Good Housekeeping in their 2022 Best Coffee Awards, won Best Product at CoffeeFest Chicago 2022, received the international Gama 2022 Innovation Award for Best Hospitality Product, and was a finalist for Best Product of the Year at the 2022 Specialty Coffee Awards.



OUTLOOK AND GROWTH

The Company effectively executed on its business plan for 2022, including expanding core products in key channels, and setting up new products and distribution channels that will achieve scale and add to profitability in 2023.

There are two significant areas of market demand in Foodservice that have particular alignment with the Company's products:

- The opportunity for sesame milk in Foodservice and cafés is strong: most carry oat milk, soy milk, and almond milk, but have significant concerns about almond milk's taste, performance, and sustainability. There is a clear opportunity to displace almond milk in favor of sesame milk in the café channel, and the Company is already seeing initial independent cafes and small chains opt to announce that they are discontinuing almond and soy milk in favor of Hope and Sesame® Sesamemilk as a better tasting, better performing, and more environmentally-friendly alternative. The sales potential for Hope and Sesame® Barista Blend Sesamemilk in cafés represents a significant revenue opportunity as well as an opportunity to drive marketing awareness. The trial and consumer marketing that occurs through cafés carrying Hope and Sesame® Sesamemilk is a key strategy for increasing awareness and sales velocity for sesame milk at grocery and e-commerce retailers. Per Company research and market surveys, plant-based milks currently account for 40%-50% of the 'milk' usage in independent cafés[9], indicating a $2+ billion market for plant milks at the 31,000 independent cafés in the United States alone[10].
- The opportunity for RightRice® products in Foodservice is equally strong as a bowl base and salad component; RightRice® Veggie Rice can replace white rice, brown rice, cauliflower rice, and quinoa effectively as a protein-packed rice alternative that also provides an effective vegan protein alternative to animal protein. Additionally, RightRice® can be served cold or hot, and is extremely simple operationally to prepare in Foodservice environments. Timing is opportune, as according to Technomic research (2020) the appearance of bowl meals on menus increased 29.7% over the preceding five years[11]. Menu penetration of 'bowl' dishes has risen steadily; when

[9] Source: Company market testing, market experience, and market analysis.
[10] https://www.ibisworld.com/industry-statistics/number-of-businesses/coffee-snack-shops-united-states/
[11] https://www.megamexFoodservice.com/why-you-should-have-bowl-options-on-your-menu/

QSR Magazine, the industry journal for Quick Serve Restaurants, released its top 22 trends for 2023. Trend #21 was "bowls will be the hottest menu trend in 2023", with bowls currently featured on over 31% of all restaurant menus [12]. Per the Lentil Growers' Association trend spotlight: "Bowls have taken over Foodservice menus recently and the trend is not expected to go away anytime soon. Power bowls offer the consumer highly customizable and balanced meals in convenient and often portable vessels for on-the-go." [13] RightRice® features lentil flour as a top ingredient.

Key Growth Priorities for 2023:

- Expand Foodservice, placements, and opportunities across Hope and Sesame®, Mozaics™, and RightRice®, diversifying revenue streams to add scale and margin, with specific focus on increasing Hope and Sesame® Barista Blend Sesamemilk into regional Foodservice and café channel distributors and independent cafés.
- Expand Grocery Retail placements and particularly velocity through existing shelf placement for all brands, with a focus on expansion for Hope and Sesame® Sesamemilk, Mozaics™ Real Veggie Chips, and RightRice® Veggie Rice. Increase velocity across Grocery Retail distribution driven through cost-effective strategic marketing, trial, awareness, and measurable, ROI-focused marketing efforts, primarily outside of the store. The Company's goal is to get products on consumer's radar as evoked shopping list options prior to the entry into the store, instead of trying to compete with 40,000 consumer products on Grocery shelves when the consumer is engaged in shopping from their list.
- Continue accelerating consumer awareness of Hope and Sesame® Sesamemilk, driving trial, adoption, and usage though cafés with the aim of heightening demand in grocery retail stores.
- Promote continued consumer awareness of RightRice® brand via Foodservice outlets such as CAVA and more.
- Continue to expand e-tail distribution and the Company's digital footprint and scale direct-to-consumer (D2C) business, Amazon.com presence and revenue, and expand presence and sales on third party e-commerce marketplaces, both B2C (consumer) and B2B (wholesale).
- Expand the Company's operating team with key hires across Sales, Marketing, Finance, and Operations to drive and support growth and scaling.
- Implement internal infrastructure solutions to prepare for rapid scaling.
- Continue to focus on key business fundamentals including margin and income improvements.

[12] https://www.qsrmagazine.com/content/22-fast-food-trends-watch-2023

[13] https://www.lentils.org/food-trend-spotlight-power-bowls/

SUMMARY OF FINANCIAL INFORMATION

(expressed in $)	Three months ended December 31 2022	2021	Year ended December 31 2022	2021
Revenues	2,662,857	358,964	12,211,743	2,664,513
Net revenues	1,814,892	254,412	8,980,769	2,321,271
Net loss	(3,237,642)	(8,636,430)	(7,805,766)	(17,600,388)

(expressed in $, except shares outstanding)	December 31 2022	December 31 2021	December 31 2020
Current assets	4,074,311	6,969,780	589,503
Current liabilities	7,257,391	11,381,984 (3)	3,717,598
Working capital deficit (1)	(3,183,080)	(4,412,204)	(3,128,095)
Add back:			
Derivative liability	–	7,084,160	–
Convertible notes	–	2,845,522	–
Adjusted working capital surplus (deficit) (1)	(3,183,080)	5,517,478	(3,128,095)
Total assets	9,840,872	7,591,605	601,538
Non-current financial liabilities (1)	944,707	496,367	15,517
Share capital	34,307,944	22,636,830	9,022,788
Total SVS equivalent shares outstanding (2)	111,968,971	82,300,948	– (2)

(1) "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.

(2) The results prior to the completion of the RTO are those of PHB which was an LLC with no issued share capital.

(3) Current liabilities at December 31, 2021 includes a $7,084,160 derivative liability and $2,804,864 of convertible notes. See "Liquidity and Capital Resources – Convertible Notes" for more information.

PERFORMANCE REVIEW

(expressed in $)	Three months ended December 31 2022	2021	Year ended December 31 2022	2021
Net loss	(3,237,642)	(8,636,430)	(7,805,766)	(17,600,388)
Add back:				
Interest and accretion	323,825	287,228	1,514,416	555,313
Amortization	155,902	–	536,597	–
Depreciation	36,635	26,096	147,617	32,287
Taxes	1,457	–	10,789	–
EBITDA (1)	(2,719,823)	(8,323,106)	(5,596,347)	(17,012,788)
Adjustments				
Equity-based compensation	90,002	250,511	730,498	2,611,294
Total other (income) expense	(272,553)	5,634,001	(5,112,445)	8,709,464
Adjusted EBITDA (1)	(2,902,374)	(2,438,594)	(9,978,294)	(5,692,030)

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

EBITDA for the 2022 periods improved in comparison to the 2021 periods due to a large reduction in net loss, helped by an increase in gross profit as noted below, and higher interest and accretion and amortization and depreciation expenses in the 2022 periods.

Adjusted EBITDA for the 2022 periods declined in comparison to the 2021 periods due primarily to significant changes in the fair value of financial instruments and merger transaction costs incurred in the 2021 periods. The changes in the fair value of financial instruments in 2022 had the opposite impact.

Gross Profit

(expressed in $)	Three months ended December 31 2022	2021	Year ended December 31 2022	2021
Revenues	2,662,857	358,964	12,211,743	2,664,513
Trade spend	(704,917)	(85,665)	(2,787,102)	(281,631)
Spoilage and cash discounts	(143,048)	(18,887)	(443,872)	(61,611)
Net revenues	1,814,892	254,412	8,980,769	2,321,271
Trade spend as a % of revenues (2)	26%	24%	23%	11%
Cost of goods sold	(1,597,114)	(164,987)	(6,715,772)	(1,257,341)
COGS as a % of revenues (2)	60%	46%	55%	47%
Gross profit	217,778	89,425	2,264,997	1,063,930

(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

The drivers of revenue in the 2022 periods include:

- Completion of the RightRice® Acquisition in January 2022 and new revenues from the sale of RightRice® products, including the new launch into Publix stores and the launch of two new Holiday RightRice® SKUs into both retail and e-commerce outlets.
- Launch of the Hope and Sesame® Barista Blend product in Q1 2022 and securing distributors to access last-mile delivery to cafes and other Foodservice outlets.
- Retail launch of Hope and Sesame® products into Kroger and other regional retailers.
- Launch of Hope and Sesame® and Mozaics™ into Sprouts Farmers Market as well as to UNFI and KeHE customers.
- Launch of RightRice®, Hope and Sesame®, Mozaics™ into Canadian Grocery Retail with bilingual Canadian-compliant packaging. ng.
- Increased sales of Mozaics™, RightRice®, and Veggicopia® brands on e-commerce and e-tail platforms.
- Increased number of national TV broadcast airings on QVC and assortment expansion on QVC.com.

Overall and as planned, revenue earned in 2022 was based on retail distribution and scaling into Grocery Retail, Foodservice, and E-commerce with ongoing growth accounts.

Trade Spend

Trade Spend consists of expenditures for slotting new Grocery Retail distribution, returns and allowances, and in-store promotional programs, including end cap end-of-aisle displays and periodic discounting to drive trial and pantry-loading to maximize consumer use. Trade Spend as a percentage ("%") of revenue increased in 2022, some of which was due to new slotting for retail distribution for the Company's brands; however, a large part of the Trade Spend incurred in 2022 stemmed from promotional and sales programs, over-large slotting commitments, and other in-store programming commitments made for RightRice® products in the 2022 calendar year by the previous management team that were "inherited" by the Company. Most of these forward-looking commitments were not disclosed to the Company prior to the Acquisition and were discovered over the course of 2022 through deductions materializing on invoice payments from retailers and distributors. The RightRice® promotional agreements were coupled with aggressive required minimum customer ordering levels that repeatedly resulted in distributors over-purchasing product and eventual product expiration-based deductions. Over the course of 2022, the Company's management adjusted distributor ordering requirements, streamlined distribution and ordering management processes through the implementation of programs in partnership with key distributors like UNFI, and discontinued egregious 'off-invoice' and EDLP programs that were curtailing profitability. Going forward into 2023, the Company has streamlined Trade Spend to focus on effective, meaningful retailer partnerships and promotions that increase profitability while levering marketing tools outside of the retail store environment to earn a place on consumer shopping lists before they enter the store. The Company believes the bulk of the Trade Spend and over-ordering driven deductions related to commitments made by the former RightRice® management team have been realized and will not recur after Q2 2023.

In addition to curtailing over-aggressive in-store spending and cutting policies that lead to negative ordering and distribution habits, going forward 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. In 2023, the Company is focused on reducing Trade Spend as a percentage of revenue to improve overall profitability.

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% – 37%). In 2022, average COGS as a percentage of revenue has been 54%, which is reflective of the sales product mix for that period. COGS performance is reflective of the complete supply chain (design, production, fulfillment, etc.), and also 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 earned. COGS are reviewed and managed; 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) and other start-up inputs at early stages.

While current COGS averaged across products and brands are staying within the range of expectations, the Company incurred price increases related primarily to ingredient costs, labor rate increases, inflation, and freight, and expects these to continue throughout 2023 given current world events and supply chain disruptions. 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 (ingredient costs); (2) expanding co-manufacturing, warehousing and 3PL distribution relationships (labor/efficiency); and (3) proactively sourcing better freight costs. The strategies and solutions are targeted at reducing and/or maintaining costs at current levels over the next 12 – 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. 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.

Selling, General and Administrative Expenses

(expressed in $)	Three months ended December 31		Year ended December 31	
	2022	**2021**	**2022**	**2021**
Payroll and recruiting	765,123	590,233	3,401,339	1,775,183
Professional fees	882,849	1,134,441	2,732,965	2,014,211
General office expenses	222,769	210,895	907,179	571,859
Outbound freight	389,982	101,025	1,491,295	305,405
Advertising and marketing	859,429	491,425	3,710,513	2,089,302
Selling, general and administrative	3,120,152	2,528,019	12,243,291	6,755,960

The Company will continue to scale selling, general and administration expenses in line with its growth plans in 2022. Variances by category are explained below:

- Payroll and recruiting expenses are higher in the 2022 periods than in 2021 periods due to personnel additions to support the growth of the Company. Additional team members included: Chief Sales Officer, Chief Financial Officer, Senior Vice President of Marketing, and Vice President of E-commerce. Other additions were made within the Sales, Marketing, Operations, and Accounting functions to meet the demands and needs of the business. While some headcount additions were initiated in 2021, the full impact of those additions were not realized due to time of hire (partial year vs full year). The Company will continue to assess its personnel needs and increase headcount if/and where most appropriate.

- Professional fees incurred in YE 2022 include significant one-time accounting, legal and advisory fees related to the Acquisition completed in January 2022. Professional fees for Q4 2022 include fees for prior year tax compliance, the 2022 audit, and investor relations activities.

- General office expenses are higher in YE 2022 than in YE 2021 due to increased warehouse costs incurred from the addition of the RightRice® brands. Technology costs also increased due to the Company's focus on building out its direct-to-consumer e-commerce platforms that went live during Q2 2022. Further, technology and professional service expenses increased in 2022 as a result of the Company's NetSuite project implementation. The implementation of NetSuite provided technology-driven process improvements across financial reporting, inventory management, Sales CRM management, and other key functions for the company. In 2023, the Company will continue to expand upon the functionality available within the NetSuite ERP system.
- Outbound freight costs are higher in the 2022 periods than in 2021 periods due to the expansion of refrigerated sesame milk as an ongoing product line across retailers, and ongoing freight cost increases for both dry trucking and container shipments. Sesame milk refrigerated products require more expensive refrigerated warehousing and shipping. Dry inbound and outbound freight costs have increased across all products for ingredients and finished goods due to rising fuel prices, lower available capacity due to trucker shortages, and (where applicable,) rising costs of international container shipments. Additionally, the acquisition of RightRice® this year adds to the increased freight numbers.
- Advertising and marketing expenses are higher in the 2022 periods than in 2021 periods as the Company is placing major emphasis and attention on customer acquisition and retention. This includes:
    - Efforts to increase the Company's social media presence, attendance at major trade shows and events, customer reports and data for trending and performance, website development, fees and advertising expenses associated with e-commerce platforms.
    - Three of the Company's brands (Mozaics™, Veggicopia® and RightRice®) have established successful sales and repeat airings on QVC. As this sales channel continued to scale throughout 2022, it represented an increase in marketing fees associated with selling on-air and on QVC's website.
    - Trade shows returned in 2022 'post-COVID', and with new innovative product launches, packaging, branding, products to showcase, and new channels to enter (including Foodservice outlets and the café market), the Company invested significantly in exhibiting at industry trade shows. Trade show attendance provided the opportunity to meet and sample key retailers, buyers, Foodservice outlets, partners, media, and influencers, resulting in business and opportunity growth. The Company exhibited at more than 15 trade shows in 2022, including the National Restaurant Show, numerous CoffeeFest events, Specialty Coffee Association shows, Plant-Based World and more.

Interest and Accretion

During Q4 2022 and YE 2022, the Company recognized $323,825 and $1,514,416 (Q4 2021 and YE 2021 – $287,228 and $555,313), respectively, of interest and accretion.

Interest and accretion is higher in the 2022 periods than in the 2021 periods due primarily to interest and accretion on the Notes issued in the second half of 2021 and converted to SVS in November 2022, imputed interest related to leases entered into in Q4 2021, interest and accretion on the promissory notes issued as consideration for the Acquisition, interest on the credit facility with CircleUp Credit Advisors LLC obtained in May 2022 and interest and accretion on the 2022 Debentures issued in October 2022. See "Liquidity and Capital Resources – Convertible Notes", "Liquidity and Capital Resources – Promissory Notes", "Liquidity and Capital Resources – Credit Facility" and "Liquidity and Capital Resources – 2022 Debentures".

Equity-based Compensation

During Q4 2022 and YE 2022, the Company recognized $90,002 and $730,498, respectively, of equity-based compensation related to (1) 1,241,287 stock options granted in January and July 2022 to certain employees, contractors, and directors of the Company and to two investor relations advisors and (2) 2,516,434 restricted share units ("RSUs") granted in July 2022 to certain directors, officers, and employees of the Company.

During YE 2021, the Company recognized $2,360,783 of equity-based compensation related to the issuance of 9,000,000 SVS performance warrants and 180,000 MVS warrants to certain officers and employees, 930,825 SVS warrants issued to employees, 785,000 stock options granted to certain directors of the Company and an investor relations firm and certain shares and warrants issued as compensation to the Agent in connection with the Company's initial public offering completed in November 2021. Q4 2021 and YE 2021 also includes $250,511 of equity-based compensation related to stock options granted to certain directors in December 2021.

Amortization and Depreciation

During Q4 2022 and YE 2022, the Company recognized $155,902 and $536,597 (Q4 2021 and YE 2021– $nil), respectively, of amortization expense and $36,635 and $147,617 (Q4 2021 and YE 2021– $26,096 and $32,287), respectively of depreciation expense.

Amortization relates to the intangible assets acquired as part of the Acquisition of RightRice® business assets. 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.

Depreciation is higher in the 2022 periods than in the 2021 periods due to depreciation of right-of-use assets related to leases entered into in Q4 2021.

Other Income and Expenses

(expressed in $)	Three months ended December 31		Year ended December 31	
	2022	**2021**	**2022**	**2021**
Other income (expense)	–	(2,816)	–	402,636
Merger transaction costs	–	–	–	(3,651,119)
Government income	–	–	–	206,901
Loss on settlement of promissory notes	–	(33,044)	(30,821)	(33,044)
Change in fair value of financial instruments	302,262	(5,586,015)	4,970,947	(5,622,712)
Foreign exchange	(29,709)	(12,126)	172,319	(12,126)
Total other income (expense)	272,553	(5,634,001)	5,112,445	(8,709,464)

Included in other income and expenses are various items related to the reverse-takeover (“RTO”) transaction between TPHC and PHB in August 2021 which resulted in PHB becoming a wholly-owned operating subsidiary of TPHC. Based on the guidance of IFRS 10 Consolidated Financial Statements to account for the RTO, 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. As TPHC was determined not to be a business, 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.

Other income primarily relates to a gain on the settlement of a note receivable owed to TPHC by PHB that was settled in connection with the RTO offset by a loss on debt settlement.

Government income in 2021 primarily relates to the forgiveness of a U.S. government-sponsored Paycheck Protection Program loan. For 2022, there were no Government-sponsored programs offered.

See “Liquidity and Capital Resources – Promissory Notes” for information on the loss on settlement of promissory notes.

See “Liquidity and Capital Resources – Convertible Notes” for information on the change in fair value of financial instruments.

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 December 31, 2022, audited consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize assets and discharge liabilities in the normal course of business. During 2022, the Company generated a net loss of $7,805,766 (2021 – $17,600,388) and reported $8,510,900 (2021 – $6,155,121) of cash flows used by operating activities. As at December 31, 2022, the Company had an accumulated deficit of $37,560,519 (2021 – $29,754,753) and a working capital deficit of $3,183,080 (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. Subsequent to December 31, 2022, the Company raised $2.9 million of financing proceeds through the issuance of convertible debentures and settled $0.3 million of accounts payable through the issuance of 924,576 SVS to the creditors. See "Subsequent Events" 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 two years 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 two years 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.

Promissory Notes

As part of the consideration for the Acquisition 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 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. 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 (see "Subsequent Events").

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 and the Company recognized a $30,821 loss on settlement of promissory notes in the 2022 consolidated statement of loss and comprehensive loss.

During 2022, the Company recognized $65,342 of interest expense on the promissory notes.

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

Issued	$	3,000,000
Issue date fair value adjustment		(124,096)
		2,875,904
Accretion		137,661
Repayment		(2,000,000)
Loss on settlement		30,821
Accrued interest		48,904
Balance, December 31, 2022	$	1,093,290

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 $7.3 million as at December 31, 2022, 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 December 31, 2022, the balance drawn on the Credit Facility was $1,807,000. During 2022, the Company recognized $105,033 of interest expense and $27,345 of annual fee amortization.

2022 Debentures

On October 20, 2022, the Company closed a private placement of convertible debentures for gross proceeds of $1,621,559 (CAD $2,223,750), representing the principal amount of the 2022 Debentures. The principal amount bears interest at 12% per annum, payable semi-annually in arrears and matures on October 20, 2025 (the “maturity date”). The December 31, 2022 face value of the 2022 Debentures is $1,838,810 (CAD $2,490,600) representing the $1,641,795 (CAD $2,223,750) principal amount plus $197,015 (CAD $266,850) of bonus interest. At any time prior to the maturity date, holders of 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 SVS at an exercise price of CAD $0.80 at any time prior to the maturity date. Any units, SVS and warrants issued in respect of the conversion of 2022 Debentures may not be transferred or sold until April 21, 2023.

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 TSX-V) 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.

At issuance, the principal amount of the 2022 Debentures is considered to be equity because there is no contractual obligation to settle in cash and, if converted to units, the conversion price is fixed at CAD $0.55 per unit. However, the interest payable on the 2022 Debentures, including bonus interest, is 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 interest payable was determined to be $588,582 (CAD $807,160) based on the present value of expected cash flows discounted at 15% and the $1,032,977 (CAD $1,416,590) the residual portion of 2022 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 $107,819 (CAD $147,860) of finders' fees and incurred $63,097 (CAD $86,529) 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 1.2% per month. Accretion expense is included in accretion and interest expense in the consolidated statement of loss and comprehensive loss.

A continuity of the 2022 Debentures is summarized in the following table:

		Face value (CAD)		Debt portion (USD)		Equity portion (USD)
Issued October 20, 2022	$	2,223,750	$	588,582	$	1,032,977
Issue costs		(234,389)		(62,038)		(108,878)
Accretion		–		13,352		–
Accrued interest		–		42,923		–
Foreign exchange		–		6,603		–
Balance, December 31, 2022	$	1,989,361	$	589,422	$	924,099

During 2022, the Company recognized $42,817 of interest expense on the 2022 Debentures.

Convertible Notes

As at December 31, 2021, the Company had CAD $4,845,000 of unsecured convertible notes (the "Notes") outstanding. The Notes accrued a simple rate of interest at 2% per annum, payable semi-annually, matured on November 12, 2022, and converted to 17,303,571 SVS at CAD $0.28 per SVS on the maturity date.

During 2022, the Company recognized $65,739 (2021 – $26,288) of interest expense on the Notes. The balance at December 31, 2022 relates to accrued and unpaid interest (see "Subsequent Events").

A continuity of the Notes is summarized in the following table:

		Principal amount (CAD)		Debt portion (USD)		Derivative Liability (1) (USD)
Balance, December 31, 2021	$	4,845,000	$	2,845,522	$	7,084,160
Accretion		–		995,792		–
Fair value adjustment		–		–		(4,970,947)
Conversion		(4,845,000)		(3,646,147)		(2,018,786)
Accrued interest		–		61,332		–
Foreign exchange		–		(154,509)		(94,427)
Balance, December 31, 2022	$	–	$	101,990	$	–

(1) As the Notes did not have a fixed conversion price at issuance, they did not meet the fixed-for-fixed criteria, and the fair value of the conversion feature was classified as a derivative liability.

Government Loan

As at December 31, 2022, the Company had a government loan with an amortized cost of $26,547 (December 31, 2021 – $18,530) 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.

Contractual Payments

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

As at December 31, 2022	Carrying amount	Less than 1 year	1 to 2 years	3 to 5 years	5 years +	Total contractual amount
Accounts payable and accrued liabilities	$ 4,100,413	$ 4,100,413	$ –	$ –	$ –	$ 4,100,413
Credit facility	1,807,000	1,807,000	–	–	–	1,807,000
Promissory notes	1,093,290	1,048,904	–	–	–	1,048,904
Convertible notes	101,990	101,990	–	–	–	101,990
Convertible debentures	589,422	42,923	–	1,838,810	–	1,881,733
Due to related parties	5,952	5,952	–	–	–	5,952
Government loans	26,547	–	–	7,345	142,655	150,000
Lease liability	477,484	148,811	151,321	277,306	–	577,438
	$ 8,202,098	$ 7,255,993	$ 151,321	$ 2,123,461	$ 142,655	$ 9,673,430

The Company's liabilities as at December 31, 2022, include obligations relating to its issuance of the Debentures with a face value of $1,838,810 (CAD $2,490,600) which mature on October 20, 2025. On the maturity date, 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 into units at CAD $0.55 per unit.

RELATED PARTY TRANSACTIONS

- As at December 31, 2022, due to related parties included $5,952 (December 31, 2021 – $59,924) of reimbursable corporate expenses.
- During 2022, $nil (2021 – $61,895) of compensation to PHB's founding members was deferred to assist in funding operations. As at December 31, 2022, due to related parties included $nil (December 31, 2021 – $nil) of deferred compensation.
- During 2022, the Company incurred $nil (2021 – $10,296) of consulting fees charged by a founding member of PHB and $97,345 (2021 – $16,632) of consulting fees charged by the sibling of a founding member. As at December 31 2022, accounts payable and accrued liabilities included $30,000 (December 31, 2021 – $1,310) due to these related parties.
- A founder of PHB is also a shareholder in another company that sells services to the Company. During 2022, the Company was charged $nil (2021 – $16,164) by the related company. As at December 31, 2022, accounts payable and accrued liabilities included $nil (December 31, 2021 – $nil) due to the related company.
- The Company's Chief Executive Officer and Co-founder, Julia Stamberger, acquired 76,000 units under the Private Placement for a total purchase price of CAD $38,000 and Debentures with a face value of CAD $28,000.
- The Company's Chief Operating Officer, Susan Walters-Flood, acquired Debentures with a face value of CAD $5,600.
- The Company maintains a 401(k) plan (the "Plan") which allows substantially all full-time employees to participate in the Plan. During 2022, the Company contributed $55,386 (2021 – $32,380) to the Plan on behalf of its employees.
- The Company considers its key management personnel to consist of its officers and directors. Key management compensation is comprised of the following:

For the years ended December 31	2022	2021
Salaries and benefits	$ 995,000	$ 629,994
Equity-based compensation	311,013	251,925
	$ 1,306,013	$ 881,919

SUBSEQUENT EVENTS

Promissory Note 2

In January 2023, the Company exercised the right of setoff in connection with indemnification claims it has asserted against the Seller, Betterer Foods Inc., related to the Acquisition of the RightRice® assets and has withheld payment of Promissory Note 2 which was payable on January 14, 2023. Betterer Foods Inc. disputes the Company's indemnification claims and the Company's entitlement to exercise the right of setoff. The Company has commenced legal action, the outcome of which is not yet known.

2023 Debentures

In February and March 2023, the Company closed two tranches of a private placement of unsecured, non-transferable convertible debentures (the "2023 Debentures") for aggregate gross proceeds of approximately $2,932,600 (CAD $4,004,600) representing the principal amount.

The 2023 Debentures bear interest at 10% per annum, payable semi-annually in arrears and mature three years from the date of issuance. 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 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 Debenture holders to redeem, by cash payment, the principal amount of the 2023 Debentures and all accrued and unpaid interest plus a redemption penalty of 8% of the principal amount (the "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 TSX-V) based on the closing price of the Company's shares on the date immediately preceding the maturity date; and
- repay all accrued and unpaid interest in cash or convert into SVS at the Interest Conversion Price.

The 2023 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 until August 29, 2023.

The Company paid $8,314 (CAD $11,343) of finders and broker fees in connection with the private placement.

Issuance of Promissory Note

On March 31, 2023, the Company issued a promissory note in the principal amount of $99,475 (CAD $134,625) in respect of unpaid interest on the Convertible Notes. 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.

Grant of Stock Options and RSUs

On April 14, 2023, the Company granted the following stock options exercisable at CAD $0.62 per SVS and 645,363 RSUs:

- 48,387 stock options to an officer of the Company for a five-year term from the grant date and vesting annually in three equal tranches over three years from the grant date;
- 592,993 stock options to employees and contractors of the Company for a five-year term from the grant date of which 36,129 stock options vest immediately and 556,864 stock options vest quarterly in 12 equal tranches over three years from the grant date; and
- 353,428 RSUs to certain officers of the Company and 241,935 RSUs to employees of the Company, all of which vest annually in three equal tranches over three years from the grant date.

Debt Settlements

In April 2023, the Company entered into binding agreements to settle eleven outstanding debts (the "Debt Settlements") for a total amount of $243,297 and CAD$107,560 (for combined amount of approximately $323,327 (CAD $434,551)). Subject to the approval of the TSXV, the Debt Settlements will consist of the issuance of 924,576 SVS to the creditors at a deemed price of CAD $0.47 per SVS. The SVS issued in connection with the Debt Settlements will 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.

Services Agreement

In April 2023, the Company retained a third-party securities dealer to provide market-making services in accordance with TSXV policies. The securities dealer will trade the Company's SVS on the TSXV to maintain an orderly market and improve the liquidity and depth of the SVS. As consideration for the services provided, the Company will pay the securities dealer a fee of $7,500 per month for an initial minimum term of 12 months, after which the agreement may be terminated by the Company at any time upon 30 days' written notice.

SHARE CAPITAL

	Equivalent SVS (1)	Warrants (2)	Warrants (3)	Stock options (2)	RSUs (2)
Balance, December 31, 2021	82,300,948	11,518,305	180,000	785,000	–
Issued / granted	29,366,343	2,000,272	–	1,241,287	2,516,434
Exercised	301,680	(301,680)	–	–	–
Forfeited	–	–	–	(210,000)	–
Balance, December 31, 2022	111,968,971	13,216,897	180,000	1,816,287	2,516,434
Issued	924,576	–	–	641,380	595,363
Balance, date of MD&A	112,893,547	13,216,897	180,000	2,457,667	3,111,797

(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 IPO, the following equity instruments are held in escrow at December 31, 2022:

	SVS	MVS	Performance warrants exercisable into SVS	Performance warrants exercisable into MVS	Stock options exercisable into SVS
Balance, December 31, 2022	51,217	130	81,000	247,500	365,815
Scheduled release:					
May 12, 2023	10,243	26	16,200	49,500	73,163
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	**FY 2022 $**	Q4 2022 $	Q3 2022 $	Q2 2022 $	Q1 2022 $
Revenues	**12,211,743**	2,662,857	3,673,626	3,344,517	2,530,743
Net revenues	**8,980,769**	1,814,892	2,684,424	2,480,929	2,000,524
Net income (loss)	**(7,805,766)**	(3,237,642)	(4,995,657)	1,149,329	(721,796)
Basic net income (loss) per share [1]	**(0.08)**	(0.03)	(0.05)	0.01	(0.01)

Unaudited	FY 2021 $	Q4 2021 $	Q3 2021 $	Q2 2021 $	Q1 2021 $
Revenues	**2,664,513**	358,964	768,590	889,787	647,172
Net revenues	**2,321,271**	254,412	649,789	819,376	597,694
Net income (loss)	**(17,600,388)**	(8,636,430)	(7,573,700)	(924,912)	(465,346)
Basic net income (loss) per share [1]	**(0.89)**	(0.13)	(0.14)	–	–

[1] The results prior to the completion of the RTO are those of PHB which is an LLC with no issued share capital.

Significant quarter-over-quarter variances are explained below:

- Q4 2022 net loss decreased due to a $0.3M increase in the fair value of financial instruments prior to conversion of the related 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 included distribution warehouse pipeline-loading orders to support new Grocery Retail distribution for new shelf sets reset in early Q4.
- 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.
- Revenues and net revenues were higher in Q2 2022 and Q3 2022 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. 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.
- Revenues and net revenues were higher in Q1 2022 due to increased sales velocity, new retailer distribution wins, new revenues from the sale of RightRice® products, and new customers and Publix and QVC, where successful airings on QVC in January 2022 led to recurring return on-air sales segment invitations for both Mozaics™ and RightRice®.
- Revenues and net revenues were lower in Q4 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.

- Revenues and net revenues increased from Q4 2020 to Q2 2021, with a slight decrease to net revenue in Q3 2021 reflecting the initial impact of limited availability of organic ingredients. The Company has subsequently converted organic product lines to Non-GMO to minimize supply chain risk and cost increases from organic ingredients.
- Net loss increased in Q3 2021 due to the consolidation of results following the RTO and the recognition of one-time merger transaction costs and equity-based compensation.
- Net loss increased in Q2 2021 primarily due to an increase in Sales and Marketing expenses focused on the airline channel and investments to increase the social media presence for the Company's brands.

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, derivative liability 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 2022, the Company derived approximately 54% of its gross revenues from three direct customers and D2C e-commerce platforms (2021 – 71% from two direct customers and D2C 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 as follows:

Critical accounting judgments

- Functional currency – The determination of the functional currency for the Company and \ subsidiaries was based on management's judgment of the underlying transactions, events, and conditions relevant to each entity.
- Going concern – The going concern assessment requires management's judgment on the ability of the Company to achieve positive cash flow from operating activities and/or obtain necessary equity or other financing to execute the Company's business plan.
- Business combination – Judgments are required in determining whether an acquisition constitutes a business combination or asset acquisition based on the criteria in IFRS 3 Business Combinations.
- Cash-generating units – The Company's assets are aggregated into cash-generating units ("CGUs") based on an assessment of a CGU's ability to generate independent cash in-flows. The Company has three CGUs: (1) Hope and Sesame® Sesamemilk: sesame-based plant milk products (2) RightRice® Veggie Rice: 'rice' grains made from a combination of lentils + chickpeas + peas + rice (3) Mozaics™ Real Veggie Chips and Veggicopia® Real Veggie Snacks: vegetable snack products. The determination of the Company's CGUs was based on management's judgment in regard to product type, shared selling and marketing efforts, similar exposure to market risk and materiality. The allocation of assets into CGU's requires significant judgment and interpretations with respect to determining the smallest group of assets that generate cash inflows that are largely independent of each other.

- Leases – The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.
- Impairment – Judgments are required to assess when impairment indicators are evident and impairment testing is required.
- Revenue – The Company makes judgments in determining whether a performance obligation is distinct (i.e. if a service is separately identifiable from other services provided and if the customer can benefit from it). Judgments are required when evaluating when a performance obligation is satisfied, and revenue may be recognized. In making judgments, Management considers when a customer obtains control of the good or service being promised in the contract and whether another entity fulfilling remaining services would need to re-perform work completed to date. Judgments are also used to determine whether the Company acts as principal or agent on certain flow-through charges to customers, such as freight costs incurred on the shipment of goods. The judgments made include whether the Company or a third party controls the goods or services provided.
- Current and deferred taxes – Tax interpretations, regulations, court rulings and legislation in the various jurisdictions in which the Company operates are subject to change. As such, current and deferred taxes are subject to measurement uncertainty. Management uses judgment to assess deferred tax assets at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Key accounting estimates

- Valuation of trade accounts receivable – The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the number of days trade accounts are overdue and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include sales experience, and historical collection and non-payments.
- Valuation of inventories – The valuation of inventory at net realizable value is based on management's best estimate including historical experience relating to the ultimate selling prices less costs to sell the inventory.
- Government loans – The Company is required to make certain assumptions in estimating the fair value of the low interest rate loans received from the government. These assumptions include the allocation of value between the future cash flow and carrying value of these loans and the determination of a comparable interest rate that would be obtained if a financing was obtained from in independent financial institution to acquire a similar type of loan.
- Leases – Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.
- Convertible debt – The Company makes estimates relating to the selection of appropriate market rates of interest to discount contractual interest and principal payments of compound financial instruments. There are also estimates related to the fair value of the embedded features which requires determining the most appropriate valuation model and the most appropriate inputs to the valuation model.
- Stock options and warrants – The fair value of stock options and warrants is recognized using the Black-Scholes model, that takes into account the terms and conditions upon which the stock options and warrants were issued. Measurement inputs include the Company’s share price on the measurement date, the exercise price of the stock options/warrants, the expected volatility of the Company’s shares, the expected life of the stock options/warrants and the risk-free rate of return. The Company estimates volatility based on historical volatilities of publicly traded peer companies. The expected life of stock options/warrants is based on historical experience and estimates of the holder’s behaviour. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. For the fair value of stock options, management also makes an estimate of the number of stock options that may be forfeited, and the rate is adjusted to reflect the actual number of stock options that actually vest.
- Deferred taxes – Deferred taxes are based on estimates as to the timing of the reversal of temporary and taxable differences, substantively enacted tax rates and the likelihood of assets being realized.

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 NOT YET ADOPTED

The Company has reviewed new and amended accounting pronouncements that have been issued but are not yet effective and determined that the following amendments are applicable to the Company but are not expected to have a material impact:

Amendments to IAS 1 Presentation of Financial Statements

Effective January 1, 2023, amendments to IAS 1 require that companies disclose their material accounting policies rather than its significant accounting policies and explain how a company can identify material accounting policies.

Effective January 1, 2024, amendments to IAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability as current or non-current.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective January 1, 2023, amendments to IAS 8 replace the definition of a change in accounting estimate with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

Amendments to IAS 12 Income Taxes

Effective January 1, 2023, amendments to IAS 12 relate to deferred tax assets and liabilities arising from a single transaction and clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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, to a significant degree, 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 – he 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. T
- 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, we 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 TPHC is the CAD; the functional currency of PHB 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 for our products, such as peas and/or beans.