The Planting Hope Company Inc.

Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Stated in United States dollars)

Independent Auditor's Report

To the Shareholders of The Planting Hope Company Inc.:

Opinion

We have audited the consolidated financial statements of The Planting Hope Company Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and net cash flows used by operating activities during the year ended December 31, 2021 and, as of that date, the Company had an accumulated deficit and a working capital deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad Frampton.

Calgary, Alberta

MNP LLP

May 2, 2022

Chartered Professional Accountants

THE PLANTING HOPE COMPANY INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(Stated in United States dollars)

	Note		**2021**		2020
Assets					
Current assets					
Cash		**$**	**5,810,961**	$	28,794
Trade accounts receivable	20		**111,442**		31,465
Inventories	5		**696,810**		454,937
Prepaid expenses and deposits	6		**350,567**		74,307
Total current assets			**6,969,780**		589,503
Non-current assets					
Property and equipment			**57,294**		12,035
Right-of-use assets	10		**564,531**		–
Total assets		**$**	**7,591,605**	$	601,538
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**1,340,200**	$	1,361,780
Short-term debt	7		**–**		1,175,000
Convertible debt	8		**2,804,864**		696,507
Derivative liability	8		**7,084,160**		–
Current portion of lease liability	10		**92,836**		–
Due to related parties	17		**59,924**		484,311
Total current liabilities			**11,381,984**		3,717,598
Non-current liabilities					
Government loans	9		**18,530**		15,517
Lease liability	10		**477,837**		–
Total liabilities			**11,878,351**		3,733,115
Shareholders' deficit					
Share capital	11		**22,636,830**		9,022,788
Warrant reserve	12		**2,819,127**		–
Contributed surplus			**20,921**		–
Accumulated other comprehensive loss			**(8,871)**		–
Accumulated deficit			**(29,754,753)**		(12,154,365)
Total shareholders' deficit			**(4,286,746)**		(3,131,577)
Total liabilities and shareholders' deficit		**$**	**7,591,605**	$	601,538

Going concern (Note 1)
Subsequent events (Note 21)

Approved by the Board of Directors:

Signed *Kay Wong-Alafriz* , Director

Signed *Julia Stamberger* ,Director

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

THE PLANTING HOPE COMPANY INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(Stated in United States dollars)

	Note		2021		2020
Revenues	15	**$**	**2,664,513**	$	1,643,974
Trade spend			**(281,631)**		(413,216)
Spoilage and cash discounts			**(61,611)**		(245,382)
Net revenues	15		**2,321,271**		985,376
Cost of goods sold			**(1,257,341)**		(968,516)
Gross profit			**1,063,930**		16,860
Expenses					
Selling, general and administrative	16		**6,788,247**		2,788,568
Interest and accretion	17		**555,313**		211,675
Total expenses			**7,343,560**		3,000,243
Loss before other income (expense)			**(6,279,630)**		(2,983,383)
Other income (expense)					
Gain on lease termination	10		**–**		106,220
Other income	4,11		**402,636**		10,000
Equity-based compensation	12,13		**(2,611,294)**		–
Change in value of financial instruments	8		**(5,622,712)**		–
Loss on convertible debt	8		**(33,044)**		–
Government income	9		**206,901**		337,435
Merger transaction cost	4		**(3,651,119)**		–
Foreign exchange			**(12,126)**		–
Total other income (expense)			**(11,320,758)**		453,655
Net loss			**(17,600,388)**		(2,529,728)
Currency translation adjustment			**(8,871)**		–
Comprehensive loss		**$**	**(17,609,259)**	$	(2,529,728)
Loss per share	14	**$**	**(0.89)**	$	–

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

THE PLANTING HOPE COMPANY INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31
(Stated in United States dollars)

	Note		2021		2020
Share capital	11				
Balance, beginning of year		**$**	**9,022,788**	$	8,695,168
Reverse takeover			**2,632,356**		–
Share issuances			**8,740,576**		–
Debt conversions			**2,907,318**		–
Exercise of warrants			**524,459**		–
Share issue costs			**(1,190,667)**		–
Cash contribution			**–**		327,620
Balance, end of year			**22,636,830**		9,022,788
Warrant reserve	12				
Balance, beginning of year			**–**		–
Warrant issuances			**3,044,810**		–
Exercise of warrants			**(225,683)**		–
Balance, end of year			**2,819,127**		–
Contributed surplus					
Balance, beginning of year			**–**		–
Equity-based compensation	13		**20,921**		–
Balance, end of year			**20,921**		–
Accumulated other comprehensive loss					
Balance, beginning of year			**–**		–
Currency translation adjustment			**(8,871)**		–
Balance, end of year			**(8,871)**		–
Accumulated deficit					
Balance, beginning of year			**(12,154,365)**		(9,624,637)
Net loss			**(17,600,388)**		(2,529,728)
Balance, end of year			**(29,754,753)**		(12,154,365)
Total shareholders' deficit		**$**	**(4,286,746)**	$	(3,131,577)

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

THE PLANTING HOPE COMPANY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Stated in United States dollars)

	Notes		2021		2020
Operating activities					
Net loss		**$**	**(17,600,388)**	$	(2,529,728)
Add back (deduct) non-cash items:					
Depreciation			**32,287**		84,497
Interest and accretion	17		**555,313**		211,675
Merger transaction cost	4		**3,651,119**		–
Other income			**(402,636)**		–
Government Income	8		**(206,901)**		(337,435)
Gain on termination of lease	10		**–**		(106,220)
Loss on sale of equipment			**–**		1,818
Change in fair value on financial instruments	8		**5,622,712**		–
Loss on convertible debt	8		**33,044**		–
Equity-based compensation	12,13		**2,611,294**		–
Change in non-cash working capital:					
Trade accounts receivable			**(79,977)**		(31,273)
Inventories			**(241,873)**		258,627
Prepaid expenses and deposits			**(276,260)**		(63,637)
Accounts payable and accrued liabilities			**147,145**		268,627
Cash flows used in operating activities			**(6,155,121)**		(2,243,049)
Investing activities					
Cash acquired in merger transaction	4		**887,435**		–
Property and equipment purchases			**(58,291)**		–
Cash provided by investing activities			**829,144**		–
Financing activities:					
Proceeds from (payments on) short-term debt, net	7		**(975,000)**		450,000
Proceeds from convertible debt	8		**3,949,779**		690,506
Proceeds from government loans	9		**197,314**		333,900
Lease payments	10		**(22,701)**		–
Share issuance proceeds, net of issue costs	11		**8,016,075**		–
Cash contribution to paid in capital	11		**–**		327,620
Proceeds from related parties	18		**61,895**		199,074
Interest paid			**(75,934)**		(71,619)
Cash provided by financing activities			**11,151,428**		1,929,481
Increase (decrease) in cash			**5,825,451**		(313,568)
Cash, beginning of year			**28,794**		342,362
Cash effects of currency translation			**(43,284)**		–
Cash, end of year		**$**	**5,810,961**	$	28,794

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

1. NATURE OF OPERATIONS

The Planting Hope Company Inc. ("TPHC") was incorporated on November 19, 2020 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) as Campio Capital Corp. and changed its name to The Planting Hope Company Inc. on May 7, 2021. The principal business of the Company was to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction.

On August 25, 2021, TPHC completed the acquisition of Planting Hope Brands, LLC (formerly Spinning Wheel IP, LLC) ("PHB") (TPHC together with PHB, the "Company") (Note 4).

On November 12, 2021, the Company completed its initial public offering ("IPO") (Note 11). The Company's shares are listed on the TSX Venture Exchange ("TSX-V") and began trading on November 18, 2021 under the symbol "MYLK".

The head office and registered office of TPHC is located at c/o 400 – 725 Granville Street, Vancouver, British Columbia, V7Y 1G5.

PHB is a Delaware Company formed on February 8, 2016 and based in Illinois. PHB manufactures and distributes plant-based and sustainable food and beverages. The principal markets for PHB's products are in North America.

The corporate and registered office of PHB is 4710 N. Sheridan Road, Chicago, Illinois, 60640.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During 2021, the Company generated a net loss of $17,600,388 (2020 – $2,529,728) and reported $6,155,121 (2020 – $2,243,049) of cash flows used by operating. As at December 31, 2021, the Company had an accumulated deficit of $29,754,753 (2020 – $12,154,365) and a working capital deficit of $4,412,204 (2020 – $3,128,095). 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.

The ability of the Company to be successful in obtaining additional future financing cannot be predicted at this present time. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The impacts of COVID-19 on the Company's operations relates to ingredient availability, pricing and availability of production workers. Management continues to actively monitor the global situation in order to mitigate any potential future impact on the Company's operations and financial performance.

Management has evaluated these conditions and determined that this uncertainty is alleviated by the completion of its IPO on November 12, 2021 which raised gross proceeds of $8,507,530 and the completion of a bought-deal public offering on March 15, 2022 which raised gross proceeds of $6,287,589 (Note 21).

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee in effect as of January 1, 2021.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 2, 2022.

(b) Basis of consolidation

These consolidated financial statements include the accounts of the following entities:

Name	Place of Business	Ownership
TPHC	Canada	Parent company
PHB	United States ("U.S.")	100% owned subsidiary

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

(c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value.

(d) Functional and presentation currency

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.

(e) Comparative balances

PHB's reverse takeover ("RTO") of the Company accordingly includes in the consolidated financial statements a continuation of PHB. All prior period comparative amounts are those of PHB and include the results of the Company from the date of the RTO.

(f) Use of estimates and judgements

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. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

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 its subsidiary 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.
- 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 its 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-throw 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 overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include sales experience, 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 financial instruments – 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, 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 behavior. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash

Cash comprise cash on hand and balances with financial institutions.

(b) Inventories

Inventories are carried at the lower of cost and net realizable value. Allowances are made against obsolete or damaged inventories and charged to cost of sales. The reversal of any inventory write-downs arising from an increase in net realizable value are recognized as a reduction in cost of sales in the period in which the reversal occurred.

(c) Property and equipment

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed under the straight-line method. The useful lives of property and equipment for purposes of computing depreciation is three to five years.

(d) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash, trade accounts receivable, accounts payable and accrued liabilities, short-term debt, convertible debt, lease liability, due to related parties and government loans. Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are classified based on the business model in which they are held and the characteristics of their contractual cash flows.

There are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification categories are as follows:

- A financial asset is measured at amortized cost: Financial assets held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost are measured using the effective interest method. Cash and trade accounts receivable are classified as financial assets measured at amortized cost.
- Financial assets at FVOCI: Financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at FVTPL: Financial assets that do not meet the criteria for amortized cost or fair value through other comprehensive income. Transaction costs of financial assets measured at FVTPL are expensed in the consolidated statement of loss and comprehensive loss.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

Financial liabilities are classified into the following categories at initial recognition:

- Financial liabilities measured at amortized cost: Financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statement of loss and comprehensive loss. Accounts payable and accrued liabilities, short-term debt, convertible debt, lease liability, due to related parties and government loans are classified as financial liabilities measured at amortized cost.
- Financial liabilities measured at FVTPL: Financial liabilities measured a fair value with changes in fair value and interest expense recognized in the consolidated statement of loss and comprehensive loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of loss and comprehensive loss.

Derivative financial instruments

Convertible debt that may be settled with cash or another financial asset or is convertible into a variable number of common shares is bifurcated into a debt portion and a derivative liability portion. The derivative liability is measured at fair value on the date of issuance.

The Company subsequently classifies derivative liabilities as FVTPL. Upon the exercise or conversion of convertible debt to common shares, the related fair value of the derivative liability is transferred to share capital as consideration for the common shares issued, along with cash consideration, if any.

Impairment of financial assets

Impairment of financial assets is based on an expected credit loss ("ECL") model. ECLs are a probability-weighted estimate of credit losses. The Company calculates lifetime ECLs based on consideration of customer-specific factors, actual credit loss experience and forecasted economic conditions. Management considers historical default rates generally represent a reasonable approximation of future expected defaults and as a percentage of revenue, the Company's actual credit loss experience has been minor.

(e) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

(f) Revenue recognition

The Company derives its revenues from the sale of its portfolio of plant-based food and beverage products. The Company follows IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenues are recognized when control of these products are transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue.

The Company does not have any significant financing components as payment is received at or shortly after the point of sale. For performance obligations related to the sale of the Company's plant-based food and beverage products, control transfers to the customer at a point in time. The Company's principal terms of sale are FOB Shipping Point and the Company transfers control and records revenue for product sales upon shipment to the customer. Invoices are sent to customers immediately after shipment and general payment terms are net 45.

The nature of the Company's business gives rise to variable consideration. The major component stemming from trade spend which incorporates placement fees, national promotions (discounting), and marketing allowances. These are known up front and are recorded in the trade spend category in order to track and monitor these programs. Another component that impacts overall net revenue are the chargebacks related to spoilage. These generally decrease the transaction price which reduces revenue. These variable amounts are generally credited to the customer, based on the terms and agreements with the various customers.

(g) Equity-based payments

The Company recognizes equity-based compensation expense for all warrants issued and stock options granted to employees, officers, directors, agents and consultants based on the fair value of the warrants and stock options at the date of the grant. The fair value of warrants and stock options granted to employees, officers, and directors is determined using the Black-Scholes model with market related inputs as of the date of grant. The fair value of warrants and stock options granted to consultants and agents is measured at the fair value of the services delivered unless fair value cannot be estimated reliably, in which case fair value is determined using the Black-Sholes model. Forfeitures are accounted for using estimates based on historical actual forfeiture. Upon the exercise of warrants and stock options, consideration received along with the related fair value amount transferred from warrant reserve or contributed surplus is recorded as share capital.

(h) Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all share options and warrants with exercise prices below the average market price for the year.

(i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

(j) Government assistance

The Company may receive government-funded assistance. When the assistance relates to an expense item, it is recognized as other income over the period necessary to match the amount to the costs that it is intended to compensate. When the assistance relates to an amount to be repaid, it is recognized as debt in accordance with the terms of the assistance. Amounts are recognized when loan proceeds are received, or when there is reasonable assurance that the Company has met the requirements of the approved government program and there is reasonable assurance that the amount will be received.

(k) Foreign currencies

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences on monetary items are recognized in the consolidated statement of loss and comprehensive loss in the period in which they arise.

The financial results of operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange at the reporting date. Differences arising on translation are recognized as other comprehensive income (loss).

(l) Taxes

Tax expense or recovery on the income or loss for the period is comprised of current and deferred tax. Taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill, not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable income. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

(m) Business combination

The acquisition of a subsidiary or assets that meet the definition of a business under IFRS 3 Business Combinations ("IFRS 3)") is accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The identifiable assets acquired and liabilities and contingent liabilities assumed that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for, deferred income taxes, employee benefit arrangements, share-based compensation, and assets held for sale, which are measured in accordance with their applicable IFRS. Any excess consideration over the fair value of the identifiable net assets is recognized as goodwill. Acquisition-related costs, other than those associated with the issuance of debt or equity, are recognized in profit or loss as incurred.

An acquisition of a subsidiary or assets that do not meet the definition of a business under IFRS 3 or which meet the optional test to identify a concentration of fair value is accounted for as an asset acquisition.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date up to a maximum of one year.

(n) Segmented operations

All revenues are derived from operations in the U.S. All property and equipment and right-of-use assets are located in the U.S. Cash balances are held in the U.S. and Canada. The Company does not have any revenue in Canada.

(o) 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 pronouncements may impact the Company:

Amendments to IAS 16 Property, Plant and Equipment

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. Effective January 1, 2022, the amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Effective January 1, 2022, the amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

Amendments to IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for the presentation of liabilities as current or non-current in the statement of financial position. The amendments are effective on January 1, 2023.

4. <u>REVERSE TAKEOVER</u>

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

Pursuant to the Transaction, TPHC acquired, from each PHB unitholder, all PHB units on the basis of one Multiple Voting Share ("MVS") exchanged for every one hundred PHB units held or one Subordinate Voting Shares ("SVS") exchanged for every one PHB unit held. The total purchase price for all the issued and outstanding 45,069,173 PHB units consisted of 450,659 newly issued MVS and 3,273 newly issued SVS issued to PHB unitholders, for an aggregate equivalent of 45,069,173 SVS. In addition, the parties agreed to issue 930,825 employee warrants with the right to purchase 930,825 SVS for which issuance occurred on November 1, 2021 (Note 11(b)).

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

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

(Stated in United States dollars)

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

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

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

5. INVENTORIES

		2021		2020
Ingredients	$	90,733	$	83,148
Packaging		205,349		235,022
Finished goods		423,010		384,484
Reserve for obsolescence		(22,282)		(247,717)
	$	696,810	$	454,937

During 2021, $1,178,185 (2020 – $914,619) of inventory was expensed to cost of goods sold.

6. PREPAID EXPENSES AND DEPOSITS

		2021		2020
Insurance	$	23,710	$	17,147
Security deposit		11,750		–
Inventory purchase deposits		131,092		57,160
Trade show deposits		49,093		–
Service contracts		134,922		–
	$	350,567	$	74,307

(Stated in United States dollars)

7. SHORT TERM DEBT

		2021		2020
Inventory term loans (a)	$	–	$	600,000
Unsecured term loans (b)		–		125,000
Secured loans (c)		–		450,000
	$	–	$	1,175,000

(a) Inventory term loans

Promissory notes secured by inventory of the Company having a combined principal balance of $500,000 requiring interest only payments until the maturity date of February 1, 2021. Interest accrued at a rate of 12% per annum until May 27, 2020 after which time interest accrued at 14% per annum. The $500,000 principal amount plus $7,232 of accrued interest was repaid in cash on May 28, 2021.

A $100,000 promissory note secured by inventory of the Company requiring interest only payments at a rate of 15% per annum until the maturity date of November 12, 2020, at which time principal and any unpaid interest was due in full. The loan was not repaid at maturity resulting in an increase in the interest rate to 17% per annum thereafter. The $100,000 principal amount plus $10,312 of accrued interest was repaid in cash on November 30, 2021.

(b) Unsecured term loans

A $100,000 promissory note obtained in 2020 bearing interest at 15% per annum, due to a party related as a family member of a founding member, with a maturity date of March 31, 2021 and an extension option date of June 30, 2021, at which time the principal amount and any unpaid interest were due in full. The $100,000 principal amount plus $12,575 of accrued interest was repaid in cash on November 23, 2021.

A $25,000 promissory note obtained in 2019 bearing interest at 6% per annum requiring interest only payments until the maturity date of February 28, 2020, at which time the principal amount and any unpaid interest were due in full. This loan was not repaid at maturity and remained outstanding at December 31, 2020 under the original terms. The $25,000 principal amount plus $3,378 of accrued interest was repaid in cash on December 16, 2021.

A $100,000 promissory note obtained in 2021 bearing interest at 15% per annum, due to a party related through shareholdings, with a maturity date of March 31, 2021, and an extension option date of June 30, 2021, at which time the principal amount and any unpaid interest were due in full. The $100,000 principal amount plus $13,972 of accrued interest were repaid on cash on November 22, 2021.

(c) Secured term loans

Promissory notes having a combined principal amount of $200,000, due to directors of the Company, requiring interest only payments at a rate of 18% per annum until the maturity at various dates in 2020. The promissory notes were not repaid at maturity and remained outstanding at December 31, 2020 under their original terms. On August 24, 2021, the Company converted the $200,000 principal amount plus $62,827 of accrued interest into 1,089,371 common shares.

A $250,000 promissory notes, due to a director of the Company, requiring interest only payments until the maturity date of July 7, 2020, at which time the principal amount and any unpaid interest were due in full. Interest accrued at a rate of 12% per annum up to the July 7, 2020 maturity date, and 14% thereafter until repaid in full. On November 22, 2021, the Company repaid $250,000 principal amount plus $56,731 of accrued interest in cash.

(Stated in United States dollars)

(d) Purchase order ("PO") financing loans

PO financing loans are based on orders from one customer. When a PO is placed by the customer, the Company receives funding to support the inventory required to fulfill the PO. Interest on the purchase order financing loans accrues at a rate of 18% per annum. When the customer pays the related invoice, the PO financing loan plus accrued interest becomes due. During 2021, the Company obtained and repaid a $56,056 PO financing loan plus $2,482 of accrued interest in cash.

(e) A continuity of short term debt is summarized in the following table:

		2021		2020
Balance, beginning of year	$	1,175,000	$	725,000
Advances		156,056		450,000
Cash repayments		(1,131,056)		–
Share settlement		(200,000)		–
Balance, end of year	$	–	$	1,175,000

During 2021, the Company recognized $128,693 (2020 – $73,930) of interest expense on short term debt (Note 17). As December 31, 2021, accounts payable and accrued liabilities included $nil (2020 – $73,930) accrued interest on the above loans.

8. CONVERTIBLE DEBT

(a) Convertible debentures

During the period from September 3, 2020 to December 3, 2020, PHB issued $690,506 of unsecured convertible debentures (the "Debentures"). During the period from February 12 to March 12, 2021, PHB issued an additional $775,000 of Debentures.

The Debentures bear interest at a rate of 1.25% per annum. Principal and accrued interest, if not converted, is due on the first anniversary date of each of the Debentures. The Debentures contain the following conversion options:

- Automatic Conversion: Qualified Financing – If the Company completes a financing in which $1 million preferred equity securities are issued ("Qualified Financing"), the outstanding Debenture amount will automatically convert in a number of securities determined by dividing the total outstanding Debenture amount by a Capp Price which is defined as the amount per share equal the Applicable Valuation divided by the fully diluted equity units outstanding. The Applicable Valuation is defined as the lessor of (i) $8,000,000 and (ii) 50% of the pre-money valuation used with the Qualified Financing

- Automatic Conversion: Extraordinary Event – If an extraordinary event, such as the sale of all or substantially all of the assets of the Company, merger or corporate reorganization, sale of a least 50% of the Company's outstanding securities or initial public offering, occurs then the outstanding Debenture amount will automatically convert in a number of equity securities of the Company determined by dividing the outstanding amount by the price per unit being paid during the extraordinary event.

- Optional Conversion – If the Company issues any equity securities in a transaction that is not a Qualified Financing, the Debenture holder may, at its option, elect to convert the outstanding Debenture amount into the other equity securities upon the same terms and conditions that apply to the purchasers in such a financing.

(Stated in United States dollars)

During 2021, the Company recognized $10,360 (2020 – $1,595) of interest expense on the Debentures (Note 17). On August 24, 2021, $1,465,506 of Debentures plus $11,885 of accrued interest were converted to common shares of the Company (Note 11(b)(i)).

(b) Convertible notes

During 2021, the Company issued unsecured convertible notes (the "Notes") for aggregate proceeds of $3,909,602 (CAD $5,000,000), of which CAD $4,000,000 was issued prior to the RTO (Note 4) and CAD $1,000,000 was issued on September 29, 2021. The Notes accrue a simple rate of interest at 2% per annum, payable semi-annually.

At issuance, the Notes contained the following terms:

(i) If the Company completes an IPO on or before June 30, 2022, the Notes mature on the one-year anniversary of the IPO completion date, and are convertible at the option of the holder from the date of completion of the IPO closing until one day preceding the maturity date at a price equal to:

- 15% discount to the share price of the IPO if converted from the date of the IPO Closing until one day preceding the maturity date; or
- 30% discount to the share price of the IPO if automatically converted on the maturity date.

(ii) If the Company does not complete an IPO on or before June 30, 2022, the Notes mature on July 1, 2022 and are convertible at CAD $0.2174 per SVS.

The Company completed its IPO on November 12, 2021, thereby establishing November 12, 2022 as the maturity date and the conversion prices at CAD $0.34 per SVS if converted prior to the maturity date or CAD $0.28 if automatically converted on the maturity date.

As the Notes do not have a fixed conversion price, they do not meet the fixed-for-fixed criteria, and the fair value of the conversion feature is classified as a derivative liability.

At issuance, the estimated value of the conversion feature was determined based on the expected "in-the-money" value of the Notes using the following estimates:

- 70% conversion price to the IPO price;
- 100% probability of an IPO occurring;
- expected time to IPO Closing of 1.38 years; and
- risk-free rate of 0.25%.

The residual debt host portion of the Notes was accreted using an effective interest rate of approximately 3.6% per month. Accretion expense is included in accretion and interest expense in the consolidated statements of loss and comprehensive loss.

On December 31, 2021, the Company estimated the fair value of the conversion feature using the Black-Scholes model based on the following assumptions:

Expected volatility	117%	Expected dividend yield	nil
Expected life	0.9 years	Risk-free interest rate	2%
Share price	CAD $0.80 (1)	Fair value per SVS	CAD $0.52

(1) The market value of the Company's shares on December 31, 2021 of CAD $1.06 net of a 25% discount for lack of marketability.

On August 31 and September 29, 2021, the Company issued an aggregate of 735,750 finders' shares (Note 11(b)) and 735,750 finders' warrants (Note 12) for which the corresponding value was recognized as an issuance cost of the Notes.

(Stated in United States dollars)

The fair value of the finders' shares was determined to be $233,046 (CAD $294,300) based a price of CAD $0.40 per SVS. The fair value of the finders' warrants was determined to be $163,131 using the Black-Scholes model based on the following assumptions:

Expected volatility	142 – 146%	Expected dividend yield	nil
Expected life	2 years	Risk-free interest rate	0.43 – 0.53%
Share price	CAD $0.40	Fair value per warrant	CAD $0.28

The $396,177 aggregate value of the finders' shares and finders' warrants was prorated based on the relative values of the convertible note and derivative liability, the $272,094 amount attributable to the debt portion of the Notes was included as a debt issuance cost and the $124,083 amount attributable to the derivative liability portion was recognized as equity-based compensation in the 2021 consolidated statement of loss and comprehensive loss.

During the period from November 23 to December 2, 2021, the Company issued 455,880 common shares (Note 11(b)) on the conversion of $121,450 (CAD $155,000) principal amount of Notes which was credited to share capital along with $18,900 for the derivative liability portion. In connection with the conversion, the Company recognized a $33,044 loss on convertible debt in the 2021 consolidated statement of loss and comprehensive loss.

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

	Principal amount (CAD)	Debt portion (USD)	Derivative liability (USD)
Balance, December 31, 2020	$ –	$ –	$ –
Recognized in RTO (Note 4)	4,000,000	2,347,717	1,252,621
Recognized September 29, 2021	1,000,000	518,216	266,501
Finders' fees	–	(272,094)	–
Accretion	–	311,445	–
Fair value adjustment	–	–	5,622,712
Conversion	(155,000)	(88,817)	(18,900)
Foreign exchange	–	(11,603)	(38,774)
Balance, end of year	$ 4,845,000	$ 2,804,864	$ 7,084,160

During 2021, the Company recognized $26,288 of interest expense (Note 17) on the Notes. As at December 31, 2021, accounts payable and accrued liabilities included $40,658 of accrued interest.

9. GOVERNMENT LOANS

(a) SBA EIDL

On June 11, 2020, the Company executed a long-term Economic Injury Disaster Loan ("EIDL") agreement with the U.S. Small Business Administration ("SBA") in the amount of $150,000. The SBA EDIL is secured by assets of the Company, bears interest at a rate of 3.75% per annum, requires monthly principal and interest payments commencing June 11, 2021 and matures on June 22, 2050. On March 16, 2021, the Government extended the first payment due date from 12 months to 24 months from the date of the loan.

An effective interest rate of 17.8%, which approximates the cost of corporate bonds with similar terms, was used to discount the expected future cash flows of the loan and determine the carrying value at the date of entering into the loan agreement.

(Stated in United States dollars)

		2021		2020
Balance, beginning of year	$	15,517	$	–
Proceeds, net of fees		–		149,900
Benefit of low interest loan		–		(135,701)
Accretion		3,013		1,318
Balance, end of year	$	18,530	$	15,517

During 2021, the Company recognized $5,625 (2020 – $2,646) of related interest expense (Note 17) in the consolidated statement of loss and comprehensive loss.

(b) PPP Loan

On April 7, 2020, the Company executed a loan agreement with the Bank of Rantoul under the US Government sponsored Paycheck Protection Program ("PPP Loan"). The Company obtained a $184,000 PPP loan bearing interest at a rate of 1% per annum, payable at maturity on April 12, 2022.

On February 16, 2021, the Company executed a second PPP Loan agreement with the Bank of Rantoul. The Company obtained a $197,314 PPP loan bearing interest at a rate of 1% per annum, payable at maturity on February 16, 2026.

An effective interest rate of 17.8%, which approximates the cost of corporate bonds with similar terms, was used to discount the expected future cash flows of each PPP Loan and determine the carrying value at the date of entering into the loan agreement.

The Company qualified for full forgiveness of the PPP Loans as the loan proceeds were utilized on specific U.S.-based expenditures including payroll and benefits of employees, rent and utilities during an 8 to 12-week period commencing at the date of signing of each PPP Loan. The benefit of low interest and the carrying amount of each PPP Loan on the date of forgiveness (December 23, 2020 and August 24, 2021, respectively) were recognized as government income in the consolidated statements of loss and comprehensive loss.

		2021		2020
Balance, beginning of year	$	–	$	–
Loan proceeds, net of fees		197,314		184,000
Benefit of low interest loan		(72,405)		(42,815)
Accretion		9,587		17,734
Government income for loan forgiveness		(134,496)		(158,919)
Balance, end of year	$	–	$	–

During 2021, the Company recognized $1,022 (2020 – $1,228) of related interest expense (Note 17) in the consolidated statement of loss and comprehensive loss.

(Stated in United States dollars)

10. RIGHT-OF-USE ASSET AND LEASE LIABILITY

Right-of-use asset	Cost	Accumulated depreciation	Carrying amount
Balance, December 31, 2019	$ 719,805	$ (166,109)	$ 553,696
Depreciation expense	–	(69,212)	(69,212)
Disposal	(719,805)	235,321	(484,484)
Balance, December 31, 2020	–	–	–
Additions	583,786	–	583,786
Depreciation expense	–	(19,255)	(19,255)
Balance, December 31, 2021	$ 583,786	$ (19,255)	$ 564,531

Lease liability	2021	2020
Balance, beginning of year	$ –	$ 622,021
Addition	583,786	–
Lease payments	(22,701)	–
Imputed interest	9,588	42,183
Disposal	–	(664,204)
Balance, end of year	570,673	–
Current portion	(92,836)	–
Non-current portion	$ 477,837	$ –

During 2020, the Company terminated the previous lease and recognized a $106,220 gain on termination in the 2020 consolidated statement of loss and comprehensive loss.

During 2021, the Company entered into an office lease with a term of 60 months to October 2026 and an equipment lease with a term of 36 months to November 2024. The lease liability amounts at inception were determined using incremental borrowing rates of 7.5% to 11%.

As at December 31, 2021, the remaining expected annual undiscounted lease payments are as follows:

	2022	2023	2024	2025	2026	Total
Annual lease payments	145,982	148,811	151,321	150,126	127,180	723,420

(Stated in United States dollars)

11. SHARE CAPITAL

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

(b) Equivalent SVS Issued

	Number of shares		Amount
Balance, December 31, 2019	–	$	8,695,168
Cash contribution	–		327,620
Balance, December 31, 2020	–		9,022,788
Debt conversions (i)	4,023,567		2,766,968
Carrying value of TPHC	8,300,000		133,847
Elimination of PHB shares and TPCH equity (Note 4)	(4,023,567)		(133,847)
Shares issued to effect RTO (Note 4)	45,069,173		2,632,356
Finders' shares (Note 8(b))	735,750		233,046
IPO (ii)	25,875,000		8,219,836
IPO agent shares (ii)	905,625		287,694
Convertible notes (Note 8(b))	455,880		140,350
Exercise of warrants (iii)	959,520		524,459
Share issue costs (ii)	–		(1,190,667)
Balance, December 31, 2021	82,300,948	$	22,636,830

(i) Prior to the completion of the RTO (Note 4), PHB settled $2,507,920 of debt through the issuance of 4,023,567 equivalent amount of SVS with a value of $2,766,968 and recognized a loss on debt settlement which has been net against other income in the consolidated statement of loss and comprehensive loss. The $2,507,920 amount of debt settled was comprised of short term debt (Note 7(c)), convertible debentures (Note 8(a)), amounts due to related parties (Note 18) and $132,985 of accounts payable and accrued liabilities

(ii) On November 12, 2021, the Company completed its IPO through the sale of 22,500,000 SVS at a price of CAD $0.40 per SVS (the "Offering Price") for gross proceeds of $7,162,754 (CAD $9,000,000).

Canaccord Genuity Corp. (the "Agent") acted as agent in connection with the IPO. In consideration for its services under the IPO, the Agent received a cash payment in the amount of CAD $315,000, 787,500 SVS ("Agent shares") and 1,575,000 warrants ("Agent Warrants") exercisable to acquire one SVS at an exercise price of CAD $0.40 per share until November 12, 2023, of which 112,500 Agent Warrants and any SVS issued on the exercise of such Agent Warrants are subject to a hold period and may not be traded until March 13, 2022 except as permitted by applicable securities legislation.

The Agent was also granted an over-allotment option to purchase up to an additional 3,375,000 SVS at the Offering Price (the "Over-Allotment Option") which was exercised in full on November 26, 2021 for gross proceeds of $1,057,082 (CAD $1,350,000). In connection with the over-allotment option exercise, the Agent received a cash payment in the amount of CAD $47,250, 118,125 Agent shares and 236,250 Agent Warrants, exercisable to acquire one SVS at an exercise price of CAD $0.40 per share until November 26, 2023, of which 16,875 Agent Warrants and any SVS shares issued on the exercise of such Agent Warrants are subject to a hold period and may not be traded until March 27, 2022 except as permitted by applicable securities legislation.

(Stated in United States dollars)

The fair value of Agent shares was determined to be $287,967 (CAD $362,250) based on the Offering Price. The fair value of Agent Warrants was determined to be $400,436 using the Black-Scholes model based on the following assumptions:

Expected volatility	123%	Expected dividend yield	nil
Expected life	2 years	Risk-free interest rate	0.93% – 0.98%
Share price	CAD $0.40	Fair value per option	CAD $0.25 – $0.49

The Company recognized $1,190,667 share issue costs related to the IPO, including Agent cash payments, Agent shares, Agent warrants and $214,843 of other issuance expenses.

(iii) On December 17, 2021, the Company issued 959,520 SVS on the exercise of 959,520 Agent Warrants for cash proceeds of $298,776 (CAD $383,808) and allocation of fair value in the amount of $225,683 (Note 11(b)(ii)).

12. WARRANTS

Exercisable into SVS	Weighted average exercise price (CAD)	Number of warrants		Amount
Balance, December 31, 2019 and 2020	$ –	–	$	–
Issued				
Finders' warrants (Note 8(b))	0.40	735,750		163,131
Agent warrants (Note 11(b)(ii))	0.40	1,811,250		400,436
Performance warrants (a)	0.25	9,000,000		2,247,305
Employee warrants (b)	0.40	930,825		233,938
	0.29	12,477,825		3,044,810
Exercised				
Agent warrants (Note 11(b)(iii))	(0.40)	(959,520)		(225,683)
Balance, December 31, 2021	$ 0.28	11,518,305	$	2,819,127

Exercisable into MVS	Weighted average exercise price (CAD)	Number of warrants		Amount
Balance, December 31, 2019 and 2020	$ –	–	$	–
MVS warrants (a)	1.00	180,000		–
Balance, December 31, 2021	$ 1.00	180,000	$	–

(a) On August 31, 2021, the Company issued 9,000,000 SVS performance warrants and 180,000 MVS warrants to certain officers and employees of the Company.

Each SVS performance warrant entitles the holder to purchase one SVS of the Company at an exercise price of CAD $0.25 per SVS until November 12, 2026. Each MVS warrant entitles the holder to purchase one MVS of the Company at an exercise price of CAD $1.00 per MVS until August 31, 2026.

(Stated in United States dollars)

The fair value of 9,000,000 SVS performance warrants was determined to be $2,247,305 and the fair value of the 180,000 MVS warrants was determined to be $nil using the Black-Scholes model based on the following assumptions:

Expected volatility	122%	Expected dividend yield	nil
Expected life	5.2 years	Risk-free interest rate	0.84%
Share price	CAD $0.40	Fair value per option	CAD $0.35

The Company recognized $2,247,305 as equity-based compensation in the 2021 consolidated statement of loss and comprehensive loss.

(b) On November 1, 2021, the Company issued 930,825 warrants to employees of the Company. Each warrant entitles the holder to purchase one SVS of the Company at an exercise price of CAD $0.25 per SVS until November 1, 2026.

The fair value of 930,825 warrants was determined to be $233,938 using the Black-Scholes model based on the following assumptions:

Expected volatility	107%	Expected dividend yield	nil
Expected life	5 years	Risk-free interest rate	1.5%
Share price	CAD $0.40	Fair value per option	CAD $0.31

The Company recognized $233,938 as equity-based compensation in the 2021 consolidated statement of loss and comprehensive loss.

(c) Information about warrants outstanding as at December 31, 2021 is summarized below:

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
$ 0.40	2,518,305	2.9	2,388,930
0.25	9,000,000	4.9	3,150,001
$ 0.28	11,518,305	4.4	5,538,931
$ 1.00	180,000	4.7	–

13. <u>STOCK OPTIONS</u>

	Weighted average exercise price (CAD)	Number of options
Balance, December 31, 2019 and 2020	–	–
Issued to directors	$ 0.65	585,000
Issued to IR firm	0.65	200,000
Balance, December 31, 2021	$ 0.65	785,000

On December 2, 2021, the Company granted 585,000 stock options to certain directors of the Company. Each stock option entitles the holder to purchase one SVS of the Company at an exercise price of CAD $0.65 per SVS until December 2, 2026. The stock options vest 30% on December 2, 2022, 30% on December 2, 2023 and 40% on December 2, 2024.

(Stated in United States dollars)

On December 2, 2021, the Company granted 200,000 stock options to an investor relations ("IR") firm. Each stock option entitles the holder to purchase one SVS of the Company at an exercise price of CAD $0.65 per SVS until December 2, 2024. The stock options vest 20% every six months from the date of grant to June 2, 2024.

The grant date fair value of the stock options was determined to be $319,469 and the stock options issued to the IR firm were re-valued at December 31, 2021 using the Black-Scholes model based on the following assumptions:

Expected volatility	108% – 121%	Expected dividend yield	nil
Expected life	3 to 5 years	Risk-free interest rate	1.02% – 1.35%
Share price	CAD $0.68 to CAD $1.06	Fair value per option	CAD $0.48 - $0.82

The Company recognized $20,921 as equity-based compensation in the 2021 consolidated statement of loss and comprehensive loss. The remaining unrecognized fair value at December 31, 2021 is $354,696.

As at December 31, 2021, the Company had 785,000 stock options outstanding and exercisable at CAD $0.65 per SVS and with a weighted average life remaining of 4.4 years, of which none were exercisable.

14. PER SHARE AMOUNTS

For the years ended December 31		2021		2020
Net loss	$	(17,600,388)	$	(2,529,728)
Weighted average number of shares outstanding		19,702,659		–
Loss per share	$	(0.89)	$	–

In accordance with RTO accounting guidance, for the purpose of computing per share amounts for the year ended December 31, 2021, the number of shares outstanding for the period from the beginning of the year to the date of the RTO shall be deemed to be the number of shares issued by the legal acquiree (PHB) multiplied by the exchange ratio established in the Transaction. For the period from the date of the RTO to the end of year, the number of shares to be used in per share calculations is the actual number of shares of the legal acquirer (TPHC) outstanding in that period.

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

15. REVENUES AND SEGMENT REPORTING

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

Geographical gross revenue is summarized as follows:

For the years ended December 31		2021		2020
Canada	$	23,737	$	22,925
U.S.		2,640,776		1,560,785
International		–		60,264
	$	2,664,513	$	1,643,974

(Stated in United States dollars)

Sales channel net revenues are summarized as follows:

For the years ended December 31		2021		2020
Wholesale	$	163,189	$	161,011
Non-traditional		1,914,853		320,855
e-Commerce		243,229		503,510
	$	2,321,271	$	985,376

16. SELLING, GENERAL AND ADMINISTRATIVE

For the years ended December 31		2021		2020
Payroll and recruiting	$	1,775,183	$	1,237,536
Professional fees		2,014,211		210,007
General office expenses		571,859		513,505
Outbound freight		305,405		240,797
Advertising and marketing		2,089,302		502,226
Depreciation		32,287		84,497
	$	6,788,247	$	2,788,568

17. INTEREST AND ACCRETION

For the years ended December 31		2021		2020
Short term debt (Note 7)	$	128,693	$	73,930
Convertible debentures (Note 8)		10,360		1,595
Convertible notes (Note 8)		26,288		–
Government loans (Note 9)		6,647		3,874
Imputed interest on lease liability (Note 10)		9,588		42,183
Accretion of convertible notes (Note 8)		311,445		–
Accretion of government loans (Note 9)		12,600		19,052
Other interest and bank charges		49,692		71,041
	$	555,313	$	211,675

(Stated in United States dollars)

18. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and initially measured at fair value.

		2021		2020
Deferred compensation (a)				
Balance, beginning of year	$	383,228	$	184,154
Current year expense		61,895		199,074
Converted to shares		(445,123)		–
Balance, end of year		–		383,228
Payable for reimbursement of corporate expenses (b)				
Balance, beginning of year		101,083		101,083
Converted to shares		(41,159)		–
Balance, end of year		59,924		101,083
Due to related parties	$	59,924	$	484,311

(a) Deferred compensation was due to PHB's founding members and was deferred to assist in funding operations. During 2021, the balance of deferred compensation payable was converted into 1,831,625 equivalent number of SVS (Note 11(b)(i)).

(b) During 2021, $41,159 of payables for the reimbursement of corporate expenses were converted into 169,364 equivalent number of SVS (Note 11(b)(i)).

(c) During 2021, the Company incurred $10,296 (2020 – $93,644) of consulting fees charged by a founding member of PHB and $16,632 (2020 – $12,850) of consulting fees charged by the sibling of a founding member. During 2021, the Company converted $148,435 of amounts owing to these related parties into 614,658 equivalent number of SVS (Note 11(b)(i)).

As at December 31, 2021, accounts payable and accrued liabilities included $1,310 (2020 – $138,379) due to these related parties.

(d) A founder of PHB is also a shareholder in another company that sells services to the Company. During 2021, the Company was charged $16,164 (2020 – $nil) by the related company. As at December 31, 2021, accounts payable and accrued liabilities included $nil (2020 – $nil) due to the related company.

(e) Key management compensation

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		2021		2020
Salaries and benefits	$	629,994	$	613,232
Equity-based compensation		251,925		–
	$	881,919	$	613,232

(f) Retirement plan

The Company maintains a 401(k) plan (the "Plan") which allows substantially all full-time employees to participate in the Plan. During 2021, the Company contributed $32,380 (2020 – $20,610) to the Plan on behalf of its employees.

(Stated in United States dollars)

19. TAXES

The following table reconciles the expected tax recovery at the statutory tax rate to the expense in the statement of loss and comprehensive loss:

		2021		2020 [(1)]
Net loss before taxes	$	(17,600,388)	$	–
Statutory tax rate		23%		–
Expected tax recovery		(4,048,090)		–
Non-deductible items		1,903,314		–
Tax rate and other differences		(477,580)		–
Tax benefit not recognized		2,622,356		–
Tax expense	$	–	$	–

Details of deferred tax assets (liabilities) are as follows:

		2021		2020 [(1)]
Property and equipment	$	1,873	$	–
Convertible debt		1,462,183		–
Share issue costs		217,784		–
Non-capital losses		940,516		–
	$	2,622,356	$	–

Details of unrecognized deductible temporary differences are as follows:

		2021		2020 [(1)]
Property and equipment	$	6,142	$	–
Convertible debt		6,357,320		–
Share issue costs		946,891		–
Non-capital losses		3,430,480		–
	$	10,740,833	$	–

[(1)] The comparative amounts as at and for the year ended December 31, 2020 are those of PHB for which taxable income (losses) were passed through to the members of the LLC.

The Company's estimated $1,410,420 (CAD $1,788,126) of Canadian non-capital loss carry-forwards will begin to expire in 2041. The Company's $2,020,060 of U.S. loss carry-forwards do not expire.

20. FINANCIAL INSTRUMENTS

(a) Risk management

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Company employs risk management strategies to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The fair values of cash, trade accounts receivable, accounts payable and accrued liabilities, short-term debt, and due to related parties 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.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company maintains its 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 its cash as it is held with reputable financial institutions in the U.S. and Canada.

The principal markets for the Company's products are in the U.S., however, a portion of sales are to foreign distributors. Management performs continuing credit evaluations of its customers and generally does not require collateral. Historically, the Company has not experienced significant losses related to receivables from individual customers.

During 2021, the Company derived approximately 85% of its gross revenues from three customers (2020 – 72% from three customers).

The Company has taken the approach of reviewing its trade receivables and estimating an expected credit loss based on the length of past due, payment history, and total sales. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. The Company's maximum exposure to credit risk for accounts receivable is equal to the carrying value of accounts receivable on the consolidated statements of financial position shown net of an appropriate allowance for expected credit losses.

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.

(Stated in United States dollars)

As at December 31, 2021 and 2020, the Company's trade accounts receivable were aged as follows:

		2021		2020
Less than 60 days overdue	$	74,931	$	(9,659)
Greater than 60 days overdue		55,580		61,374
		130,511		51,715
Less allowance for expected credit losses		(19,069)		(20,250)
Trade accounts receivable	$	111,442	$	31,465

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Company's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and global economic conditions. The Company manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements. Senior management regularly reviews levels of sales and monitors obligations and customer credit facilities.

As at December 31, 2021, the Company's total liabilities exceeds its total assets. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future equity and debt financings.

The Company's liabilities include obligations relating to its issuance of Notes to investors totaling $3,821,580 (CAD $4,845,000) (Note 8(b)). The Company has the option to make a cash settlement offer to the Note 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. However, the Note holders have no obligation to accept the Company's cash offer, at which time the Notes will convert to SVS, nor can the holders force the Company to redeem their Notes for cash. Should the Company not make a cash offer to settle all or part of the Notes that remain unconverted during their term, which early conversion is at the sole discretion of the Note holders, then all remaining Notes that have not been converted by the Note holders prior to the end of the term will automatically convert into SVS at the end of the term.

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

As at December 31, 2021	Carrying amount	Less than 1 year	1 to 2 years	2 to 5 years	5 years +	Total contractual amount
Accounts payable and accrued liabilities	1,340,200	1,340,200	–	–	–	1,340,200
Convertible debt	2,804,864	3,821,580	–	–	–	3,821,580
Due to related parties	59,924	59,924	–	–	–	59,924
Government loans	18,530	1,586	6,362	11,242	130,810	150,000
Lease liability	570,673	145,982	148,811	301,447	127,180	723,420
	4,794,191	5,369,272	155,173	312,689	257,990	6,095,124

(e) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate cash flow risk to the extent that changes in market interest rates impact its loans and debt when new terms are negotiated. The Company's current debt carries fixed rate of interest. The Company had no interest rate swaps or financial contracts in place as at or during the years ended December 31, 2021 and 2020.

(f) Capital management

The Company's capital management policy is to maintain a good capital base that optimizes the Company's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company's officers are responsible for managing the Company's capital and do so through management meetings and periodic board meetings including reviews of financial information. In 2022 and going forward, this will also include board review of budgets and forecasts. The Company considers its capital structure to include equity, loans, and debt.

The Company monitors capital based on its current working capital, projected cash flow from operations and anticipated capital expenditures. In order to manage its capital structure, the Company prepares annual operating budgets and business plans, which are updated as necessary. The annual and updated budgets are prepared by the Company's management and reviewed by the Board of Directors. The budget results are regularly reviewed and updated as required.

In order to maintain or adjust the capital structure, the Company may issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Company's ability to raise additional debt or equity financing is impacted by external factors, including global economic conditions. The Company continually monitors economic and general business conditions.

The Company's capital management policy has not changed during the years ended December 31, 2021 and 2020.

21. SUBSEQUENT EVENTS

(a) On January 14, 2022, the Company closed the acquisition of RightRice ("RR") business assets from Betterer Foods, Inc. The aggregate purchase price of $7,000,000 is comprised of $4,000,000 in cash funded at closing, with the balance payable under two unsecured promissory notes bearing interest at 5% per annum.

The first unsecured promissory note in the amount of $2,000,000 is 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 $2,000,000 promissory note plus $17,260 of accrued interest was paid on March 18, 2022, following the completion of a bought-deal public offering (Note 21 (c)).

The second unsecured promissory note in the amount of $1,000,000 is fully due and payable (including all accrued interest) on January 14, 2023.

(b) On January 26, 2022, the Company granted 440,000 stock options exercisable at CAD $0.87 per SVS until January 26, 2025 to the founder and previous CEO of RR and four RR team members who joined the Company.

(c) On March 15, 2022, the Company closed a bought-deal public offering ("the Offering") of 10,062,500 SVS at a price of CAD $0.80 per SVS for gross proceeds of approximately $6,287,589 (CAD $8,050,000), including 1,312,500 SVS shares issued to the Agent following the exercise of their over-allotment option. The Agent received a cash fee equal to 8% of the gross proceeds of the Offering plus a $66,390 (CAD $85,000) advisory fee.