

**The Planting Hope Company Inc.**  
**Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2022**  
**(Unaudited)**  
**(Stated in United States dollars)**



**HOPE AND SESAME**  
**RightRice**  
**MOZAICS**  
*veggicopia*



**THE PLANTING HOPE COMPANY INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Stated in United States dollars)

As at	Note	March 31 2021	December 31 2021
		(Unaudited)	(Audited)
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 3,130,989	\$ 5,810,961
Trade accounts receivable	5	1,931,161	111,442
Inventories	6	1,984,722	696,810
Prepaid expenses and deposits	7	363,628	350,567
<b>Total current assets</b>		<b>7,410,500</b>	<b>6,969,780</b>
<b>Non-current assets</b>			
Intangible assets	8	3,567,290	–
Right-of-use assets	12	535,344	564,531
Property and equipment		55,377	57,294
Goodwill	4	1,755,445	–
<b>Total assets</b>		<b>\$ 13,323,956</b>	<b>\$ 7,591,605</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 3,270,569	\$ 1,340,200
Promissory notes	9	940,004	–
Convertible notes	10	3,109,801	2,804,864
Derivative liability	10	4,692,957	7,084,160
Current portion of lease liability	12	96,229	92,836
Due to related parties	20	49,924	59,924
<b>Total current liabilities</b>		<b>12,159,484</b>	<b>11,381,984</b>
<b>Non-current liabilities</b>			
Government loan	11	19,371	18,530
Lease liability	12	452,116	477,837
<b>Total liabilities</b>		<b>12,630,971</b>	<b>11,878,351</b>
<b>Shareholders' equity (deficit)</b>			
Share capital	13	28,137,198	22,636,830
Warrant reserve	14	2,818,754	2,819,127
Contributed surplus		186,940	20,921
Accumulated other comprehensive loss		26,642	(8,871)
Accumulated deficit		(30,476,549)	(29,754,753)
<b>Total shareholders' equity (deficit)</b>		<b>692,985</b>	<b>(4,286,746)</b>
<b>Total liabilities and shareholders' equity (deficit)</b>		<b>\$ 13,323,956</b>	<b>\$ 7,591,605</b>

**Going concern (Note 1)    Subsequent events (Note 22)**

Approved by the Board of Directors:

Signed Kay Wong-Alafriz , Director

Signed Julia Stamberger , Director

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



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

For the three months ended March 31	Note	2022	2021
<b>Revenues</b>	17	<b>\$ 2,530,743</b>	<b>\$ 647,172</b>
<b>Trade spend</b>		<b>(495,464)</b>	<b>(44,385)</b>
<b>Spoilage and cash discounts</b>		<b>(34,755)</b>	<b>(5,093)</b>
<b>Net revenues</b>	17	<b>2,000,524</b>	<b>597,694</b>
<b>Cost of goods sold</b>		<b>(1,221,587)</b>	<b>(238,347)</b>
<b>Gross profit</b>		<b>778,937</b>	<b>359,347</b>
<b>Expenses</b>			
Selling, general and administrative	18	<b>3,222,964</b>	<b>838,178</b>
Interest and accretion	19	<b>356,393</b>	<b>57,555</b>
Amortization	8	<b>111,710</b>	<b>–</b>
Depreciation	12	<b>36,942</b>	<b>2,105</b>
<b>Total expenses</b>		<b>3,728,009</b>	<b>897,838</b>
<b>Loss before other income (expense)</b>		<b>(2,949,072)</b>	<b>(538,491)</b>
<b>Other income (expense)</b>			
Other income		<b>–</b>	<b>740</b>
Loss on settlement of promissory notes	9	<b>(30,821)</b>	<b>–</b>
Change in value of financial instruments	10	<b>2,461,686</b>	<b>–</b>
Government income	11	<b>–</b>	<b>72,405</b>
Equity-based compensation	15	<b>(166,019)</b>	<b>–</b>
Foreign exchange		<b>(37,570)</b>	<b>–</b>
<b>Total other income</b>		<b>2,227,276</b>	<b>73,145</b>
<b>Net loss</b>		<b>(721,796)</b>	<b>(465,346)</b>
<b>Currency translation adjustment</b>		<b>35,513</b>	<b>–</b>
<b>Comprehensive loss</b>		<b>\$ (686,283)</b>	<b>\$ (465,346)</b>
<b>Loss per share</b>	16	<b>\$ (0.01)</b>	<b>\$ –</b>

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

For the three months ended March 31	Note	2022	2021
<b>Share capital</b>			
	13		
Balance, beginning of period		\$ 22,636,830	\$ 9,022,788
Share issuances		6,287,589	–
Exercise of warrants		901	–
Share issue costs		(788,122)	–
Balance, end of period		28,137,198	9,022,788
<b>Warrant reserve</b>			
	14		
Balance, beginning of period		2,819,127	–
Exercise of warrants		(373)	–
Balance, end of period		2,818,754	–
<b>Contributed surplus</b>			
Balance, beginning of period		20,921	–
Equity-based compensation	15	166,019	–
Balance, end of period		186,940	–
<b>Accumulated other comprehensive loss</b>			
Balance, beginning of period		(8,871)	–
Currency translation adjustment		35,513	–
Balance, end of period		26,642	–
<b>Accumulated deficit</b>			
Balance, beginning of period		(29,754,753)	(12,154,365)
Net loss		(721,796)	(465,346)
Balance, end of period		(30,476,549)	(12,619,711)
<b>Total shareholders' equity (deficit)</b>		<b>\$ 692,985</b>	<b>\$ (3,596,923)</b>

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

For the three months ended March 31	Notes	2022	2021
<b>Operating activities</b>			
<b>Net loss</b>		<b>\$ (721,796)</b>	<b>\$ (465,346)</b>
Add back (deduct) non-cash items:			
Amortization	8	111,710	–
Depreciation	12	36,942	2,105
Interest and accretion	19	356,393	57,555
Other income		–	(740)
Loss on settlement of promissory notes	9	30,821	–
Change in fair value on financial instruments	10	(2,461,686)	–
Government Income	11	–	(72,405)
Equity-based compensation	15	166,019	–
Change in non-cash working capital:			
Trade accounts receivable		(595,619)	(110,178)
Inventories		34,937	83,842
Prepaid expenses and deposits		9,779	27,304
Accounts payable and accrued liabilities		802,039	(160,023)
<b>Cash flows used in operating activities</b>		<b>(2,230,461)</b>	<b>(637,886)</b>
<b>Investing activities</b>			
Business combination	4	(4,000,000)	–
Property and equipment purchases		(5,838)	–
<b>Cash used in investing activities</b>		<b>(4,005,838)</b>	<b>–</b>
<b>Financing activities:</b>			
Proceeds from short-term debt		–	265,500
Proceeds from convertible debentures		–	653,500
Repayment of promissory notes	9	(2,000,000)	–
Proceeds from government loans	11	–	197,314
Lease payments	12	(36,378)	–
Share issuance proceeds, net of issue costs	13	5,499,995	–
Related party (repayment) proceeds	20	(10,000)	44,234
Interest paid		(47,600)	(25,064)
<b>Cash provided by financing activities</b>		<b>3,406,017</b>	<b>1,135,484</b>
<b>(Decrease) increase in cash</b>		<b>(2,830,282)</b>	<b>497,598</b>
<b>Cash, beginning of period</b>		<b>5,810,961</b>	<b>28,794</b>
<b>Cash effects of currency translation</b>		<b>150,310</b>	<b>–</b>
<b>Cash, end of period</b>		<b>\$ 3,130,989</b>	<b>\$ 526,392</b>

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**THE PLANTING HOPE COMPANY INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**  
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**1. NATURE OF OPERATIONS**

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

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

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

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

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

**2. BASIS OF PRESENTATION**

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

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

*Going concern*

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the three months ended March 31, 2022, the Company generated a net loss of \$721,796 (three months ended March 31, 2021 – \$465,346) and reported \$2,230,461 (three months ended March 31, 2021 – \$637,886) of cash flows used by operating. As at March 31, 2022, the Company had an accumulated deficit of \$30,656,549 (December 31, 2021 – \$29,754,753) and a working capital deficit of \$4,748,984 (December 31, 2021 – \$4,412,204). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company’s ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing to continue.

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.



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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.

Estimates and judgements made by management in the preparation of the Company's March 31, 2022 unaudited condensed interim consolidated financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

The unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 25, 2022.

**3. ADDITIONAL ACCOUNTING POLICIES**

(a) Intangible assets

Intangible assets consist of acquired customer relationships, brand name and technology. Intangible assets are accounted for at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives which is 10 years for customer relationships and 5 years for brand name and technology assets. The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(b) Goodwill

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

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

(c) Impairment of non-financial assets

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



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**4. BUSINESS COMBINATION**

On January 14, 2022, the Company closed the arm's-length acquisition of RR business assets (the "Acquisition") from Betterer Foods, Inc. The aggregate purchase price of \$6,913,043 is comprised of \$4,000,000 in cash funded at closing, with the balance payable under two unsecured promissory notes bearing interest at 5% per annum.

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

**Fair value of consideration:**

Cash	\$	4,000,000
Promissory notes (Note 9)		2,875,904
	\$	6,875,904

**Fair value of net assets:**

Working capital	\$	1,441,459
Intangible assets (Note 8)		3,679,000
Goodwill		1,755,445
	\$	6,875,904

Since the Acquisition date on January 14, 2022, the RR business assets contributed \$2,103,790 to revenues and \$61,095 to net income reported for the three months ended March 31, 2022.

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

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

**Goodwill**

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





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**5. TRADE ACCOUNTS RECEIVABLE**

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

As at	March 31 2022	December 31 2021
Less than 60 days overdue	\$ 1,153,131	\$ 74,931
Greater than 60 days overdue	804,650	55,580
	1,957,781	130,511
Less allowance for expected credit losses	(26,620)	(19,069)
Trade accounts receivable	\$ 1,931,161	\$ 111,442



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**6. INVENTORIES**

	March 31 2022	December 31 2021
Ingredients	\$ 98,185	\$ 90,733
Packaging	675,900	205,349
Finished goods	1,234,496	423,010
Reserve for obsolescence	(23,859)	(22,282)
	<b>\$ 1,984,722</b>	<b>\$ 696,810</b>

During the three months ended March 31, 2022, \$1,119,002 (three months ended March 31, 2021 – \$239,980) of inventory was expensed to cost of goods sold.

**7. PREPAID EXPENSES AND DEPOSITS**

	March 31 2022	December 31 2021
Insurance	\$ 16,384	\$ 23,710
Security deposit	21,750	11,750
Inventory purchase deposits	158,275	131,092
Trade show deposits	54,397	49,093
Service contracts	112,822	134,922
	<b>\$ 363,628</b>	<b>\$ 350,567</b>

**8. INTANGIBLE ASSETS**

	Customer relationships	Brand name	Technology	Total
<b>Cost</b>				
Acquired (Note 4)	\$ 1,993,000	\$ 674,000	\$ 1,012,000	\$ 3,679,000
<b>Accumulated amortization</b>				
Amortization expense	(41,498)	(28,068)	(42,144)	(111,710)
<b>Net carrying amount</b>				
March 31, 2022	\$ 1,951,502	\$ 645,932	\$ 969,856	\$ 3,567,290

**9. PROMISSORY NOTES**

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

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

The issue date fair value of the promissory notes was determined to be \$2,875,904 based on expected cash



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flows discounted at a rate of 15%.

Promissory Note 1 plus \$17,260 of accrued interest was paid on March 18, 2022, following the completion of a bought-deal public offering (Note 13(b)(ii)) and the Company recognized a \$30,821 loss on settlement of promissory notes in the March 31, 2022 consolidated statement of loss and comprehensive loss.

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

Issued (Note 4)	\$	3,000,000
Issue date fair value adjustment		(124,096)
		2,875,904
Accretion		33,279
Repayment		(2,000,000)
Loss on settlement		30,821
Balance, March 31, 2022	\$	940,004

During the three months ended March 31, 2022, the Company recognized \$27,671 of interest expense (Note 19) on the promissory notes. As at March 31, 2022, accounts payable and accrued liabilities included \$10,411 of accrued interest.

## **10. CONVERTIBLE NOTES**

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

		Principal amount (CAD)		Debt portion (USD)		Derivative liability (USD)
Balance, December 31, 2021	\$	4,845,000	\$	2,804,864	\$	7,084,160
Accretion		–		260,623		–
Fair value adjustment		–		–		(2,461,686)
Foreign exchange		–		44,314		70,483
Balance, March 31, 2022	\$	4,845,000	\$	3,109,801	\$	4,692,957

The Notes accrue a simple rate of interest at 2% per annum, payable semi-annually, mature on November 12, 2022 and are convertible at CAD \$0.34 per SVS if converted prior to 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.

On March 31, 2022, the Company re-measured the estimated fair value of the derivative using the Black-Scholes model based on the following assumptions:

Expected volatility	111%	Expected dividend yield	nil
Expected life	0.6 years	Risk-free interest rate	2.3%
Share price	CAD \$0.62 <sup>(1)</sup>	Fair value per SVS	CAD \$0.34

<sup>(1)</sup> The market value of the Company's shares on March 31, 2022 of CAD \$0.81 net of a 25% discount for lack of marketability.

During the three months ended March 31, 2022, the Company recognized \$18,870 (three months ended March 31, 2021 – \$nil) of interest expense (Note 19) on the Notes. As at March 31, 2022, accounts payable and accrued liabilities included \$60,371 (December 31, 2021 – \$40,658) of accrued interest.



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**11. GOVERNMENT LOAN**

In 2020, the Company executed a long-term Economic Injury Disaster Loan (“EIDL”) agreement with the U.S. Small Business Administration (“SBA”) in the amount of \$150,000. The SBA EDIL is secured by assets of the Company, bears interest at a rate of 3.75% per annum, requires monthly principal and interest payments commencing June 11, 2022 and matures on June 22, 2050.

Balance, December 31, 2021	\$	18,530
Accretion		841
Balance, March 31, 2022	\$	19,371

During the three months ended March 31, 2022, the Company recognized \$1,387 (three months ended March 31, 2021 – \$1,406) of related interest expense (Note 19) in the consolidated statement of loss and comprehensive loss.

**12. RIGHT-OF-USE ASSETS AND LEASE LIABILITY**

Right-of-use assets	Cost	Accumulated depreciation	Carrying amount
Balance, December 31, 2021	\$ 583,786	\$ (19,255)	\$ 564,531
Depreciation expense	–	(29,187)	(29,187)
Balance, March 31, 2022	\$ 583,786	\$ (48,442)	\$ 535,344

For the three months ended March 31, 2022, the Company recognized \$36,942 of depreciation expense comprised of \$29,187 on right-of-use assets and \$7,755 on other property and equipment (three months ended March 31, 2021 – \$2,105 of depreciation expense on other property and equipment).

Lease liability	
Balance, December 31, 2021	\$ 570,673
Lease payments	(36,378)
Imputed interest	14,050
Balance, March 31, 2022	548,345
Current portion	(96,229)
Non-current portion	\$ 452,116

As at March 31, 2022, the remaining expected annual undiscounted lease payments are as follows:

	Remainder of 2022	2023	2024	2025	2026	Total
Annual lease payments	\$109,604	\$148,811	\$151,321	\$150,126	\$127,180	\$687,042



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**13. SHARE CAPITAL**

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

(b) Equivalent SVS Issued

	Number of shares		Amount
Balance, December 31, 2021	82,300,948	\$	22,636,830
Exercise of warrants (i)	1,680		901
Bought-deal public offering (ii)	10,062,500		6,287,589
Share issue costs (ii)	–		(788,122)
<b>Balance, March 31, 2022</b>	<b>92,365,128</b>	<b>\$</b>	<b>28,137,198</b>

(i) On January 31, 2022, the Company issued 1,680 SVS on the exercise of 1,680 Agent Warrants for cash proceeds of \$528 (CAD \$672) and allocation of fair value in the amount of \$373 (Note 14).

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

**14. WARRANTS**

Exercisable into SVS	Weighted average exercise price (CAD)	Number of warrants		Amount
Balance, December 31, 2021	\$ 0.28	11,518,305	\$	2,819,127
Exercised (Note 13(b)(i))	(0.40)	(1,680)		(373)
<b>Balance, March 31, 2022</b>	<b>\$ 0.28</b>	<b>11,516,625</b>	<b>\$</b>	<b>2,818,754</b>

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

Information about warrants outstanding as at March 31, 2022 is summarized below:

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
\$ 0.40	2,516,625	2.7	2,516,625
0.25	9,000,000	4.6	3,150,001
<b>\$ 0.28</b>	<b>11,516,625</b>	<b>4.2</b>	<b>5,666,626</b>
<b>\$ 1.00</b>	<b>180,000</b>	<b>4.4</b>	<b>–</b>



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**15. STOCK OPTIONS**

	Weighted average exercise price (CAD)	Number of options
Balance, December 31, 2021	\$ 0.65	785,000
Granted	0.87	440,000
Forfeited	(0.87)	(170,000)
<b>Balance, March 31, 2022</b>	<b>\$ 0.71</b>	<b>1,055,000</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 former CEO of RR and four RR team members who joined the Company. Vesting terms are as follows:

- 120,000 stock options vested immediately;
- 200,000 stock options vest 25% every three months from the grant date to January 23, 2023;
- 120,000 stock options vest one-third on the first, second and third anniversaries of the grant date.

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

Expected volatility	142%	Expected dividend yield	nil
Expected life	3 years	Risk-free interest rate	1.42%
Share price	CAD \$0.98	Fair value per option	CAD \$0.72

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.

Information about stock options outstanding as at March 31, 2022 is summarized below:

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
\$ 0.65	785,000	4.2	–
0.87	270,000	2.8	30,000
<b>\$ 0.71</b>	<b>1,055,000</b>	<b>3.8</b>	<b>30,000</b>

During the three months ended March 31, 2022, the Company recognized \$166,019 (three months ended March 31, 2021 – \$nil) of equity-based compensation. The remaining unrecognized fair value at December 31, 2021 is \$361,544.

**16. PER SHARE AMOUNTS**

For the three months ended March 31	2022	2021
Net loss	\$ (721,796)	\$ (465,346)
Weighted average number of shares outstanding	82,742,316	–
Loss per share	\$ (0.01)	\$ –

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



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**17. 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 three months ended March 31	2022		2021	
Canada	\$	2,862	\$	15,629
U.S.		2,527,881		631,543
	\$	2,530,743	\$	647,172

During the three months ended March 31, 2022, the Company derived approximately 76% of its gross revenues from seven customers (three months ended March 31, 2021 – 89% from five customers).

Sales channel net revenues are summarized as follows:

For the three months ended March 31	2022		2021	
Wholesale	\$	1,638,343	\$	157,789
Non-traditional		52,056		373,215
e-Commerce		310,125		66,690
	\$	2,000,524	\$	597,694

**18. SELLING, GENERAL AND ADMINISTRATIVE**

For the three months ended March 31	2022		2021	
Payroll and recruiting	\$	859,301	\$	270,321
Professional fees		1,184,634		52,434
General office expenses		194,409		84,290
Outbound freight		345,336		56,719
Advertising and marketing		639,284		374,414
	\$	3,222,964	\$	838,178

**19. INTEREST AND ACCRETION**

For the three months ended March 31	2022		2021	
Short term debt and convertible debentures	\$	–	\$	50,851
Promissory notes (Note 9)		27,671		–
Convertible notes (Note 10)		18,870		–
Government loans (Note 11)		1,387		1,406
Imputed interest on lease liability (Note 12)		14,050		–
Accretion of promissory notes (Note 9)		33,279		–
Accretion of convertible notes (Note 10)		260,623		–
Accretion of government loans (Note 11)		841		1,501
Other interest, net of minor interest income		(328)		3,797
	\$	356,393	\$	57,555



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**20. RELATED PARTY TRANSACTIONS**

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

- (a) As at March 31, 2022, due to related parties included \$49,924 (December 31, 2021 – \$59,924) of reimbursable corporate expenses. \$43,828 of the amount due to related parties was repaid on April 8, 2022 (Note 22(a)).
- (b) During the three months ended March 31, 2022, \$nil (three months ended March 31, 2021 – \$43,342) of compensation to PHB's founding members was deferred to assist in funding operations. As at March 31, 2022, due to related parties included \$nil (December 31, 2021 – \$nil) of deferred compensation.
- (c) During the three months ended March 31, 2022, the Company incurred \$nil (three months ended March 31, 2021 – \$16,000) of consulting fees charged by a founding member of PHB and \$17,542 (three months ended March 31, 2021 – \$1,710) of consulting fees charged by the sibling of a founding member. As at March 31, 2022, accounts payable and accrued liabilities included \$13,012 (December 31, 2021 – \$1,310) due to these related parties.
- (d) A founder of PHB is also a shareholder in another company that sells services to the Company. During the three months ended March 31, 2022, the Company was charged \$nil (three months ended March 31, 2021 – \$4,340) by the related company. As at March 31, 2022, accounts payable and accrued liabilities included \$nil (December 31, 2021 – \$nil) due to the related company.

**21. LIQUIDITY RISK**

As at March 31, 2022, the Company's total liabilities exceeds its total assets. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future equity and debt financings.

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

As at March 31, 2022	Carrying amount	Less than 1 year	1 to 2 years	2 to 5 years	5 years +	Total contractual amount
Accounts payable and accrued liabilities	\$3,270,569	\$3,270,569	\$ –	\$ –	\$ –	\$3,270,569
Promissory notes	940,004	1,000,000	–	–	–	1,000,000
Convertible notes	3,109,801	3,877,241	–	–	–	3,877,241
Due to related parties	49,924	49,924	–	–	–	49,924
Government loans	19,371	1,586	6,362	11,242	130,810	150,000
Lease liability	548,345	109,604	148,811	301,447	127,180	687,042
	<b>\$7,938,014</b>	<b>\$8,308,924</b>	<b>\$155,173</b>	<b>\$312,689</b>	<b>\$257,990</b>	<b>\$9,034,776</b>

The Company's liabilities include Notes totaling \$3,877,241 (CAD \$4,845,000) (Note 10). 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.





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**22. SUBSEQUENT EVENTS**

- (a) On April 8, 2022, the Company repaid \$43,828 of the amount due to related parties.
- (b) On May 16, 2022 the Company entered into a non-dilutive revolving line of credit agreement (the "New Credit Facility") with CircleUp Credit Advisors LLC to support the Company's growth. The New Credit Facility has a credit limit of \$2,500,000 (CAD \$3,227,000) at a simple interest rate of 10.25% per annum, offers an advance rate on eligible accounts receivable (75%), purchase orders (65%), and inventory (50%), is secured against the assets of PHB and is in place for 18 months, through November 4, 2023. There is an annual fee assessed equal to 1.75% of the maximum amount of the New Credit Facility (\$65,625).