The Planting Hope Company Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022

(Unaudited)

(Stated in United States dollars)

THE PLANTING HOPE COMPANY INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in United States dollars)

As at	Note		June 30 2022		December 31 2021
			(Unaudited)		(Audited)
Assets					
Current assets					
Cash		$	**939,480**	$	5,810,961
Trade accounts receivable	5		**1,701,596**		111,442
Inventories	6		**2,447,173**		696,810
Prepaid expenses and deposits	7		**649,765**		350,567
Total current assets			**5,738,014**		6,969,780
Non-current assets					
Intangible assets	8		**3,433,532**		–
Right-of-use assets	12		**506,157**		564,531
Property and equipment			**49,154**		57,294
Goodwill	4		**2,074,283**		–
Total assets		$	**11,801,140**	$	7,591,605
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	**2,778,860**	$	1,340,200
Promissory notes	9(a)		**973,336**		–
Credit facility	9(b)		**1,458,902**		–
Convertible notes	10		**3,299,443**		2,804,864
Derivative liability	10		**714,274**		7,084,160
Current portion of lease liability	12		**99,346**		92,836
Due to related parties	20		**5,952**		59,924
Total current liabilities			**9,330,113**		11,381,984
Non-current liabilities					
Government loan	11		**20,250**		18,530
Lease liability	12		**426,113**		477,837
Total liabilities			**9,776,476**		11,878,351
Shareholders' equity (deficit)					
Share capital	13		**28,137,198**		22,636,830
Warrant reserve	14		**2,818,754**		2,819,127
Contributed surplus			**263,270**		20,921
Accumulated other comprehensive income (loss)			**132,662**		(8,871)
Accumulated deficit			**(29,327,220)**		(29,754,753)
Total shareholders' equity (deficit)			**2,024,664**		(4,286,746)
Total liabilities and shareholders' equity (deficit)		$	**11,801,140**	$	7,591,605

Going concern (Note 2) **Subsequent events** (Note 22)

Approved by the Board of Directors:

Signed *Saundra Linn* , 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 INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Stated in United States dollars)

		For the three months ended June 30		For the six months ended June 30	
	Note	**2022**	2021	**2022**	2021
Revenues	17	$ **3,344,517**	$ 889,787	$ **5,875,260**	$ 1,536,959
Trade spend		**(757,743)**	(57,354)	**(1,253,207)**	(101,739)
Spoilage and cash discounts		**(105,845)**	(13,057)	**(140,600)**	(18,150)
Net revenues	17	**2,480,929**	819,376	**4,481,453**	1,417,070
Cost of goods sold		**(1,556,183)**	(417,813)	**(2,777,770)**	(656,160)
Gross profit		**924,746**	401,563	**1,703,683**	760,910
Expenses					
Selling, general and administrative	18	**3,092,142**	1,312,682	**6,315,106**	2,150,860
Interest and accretion	19	**383,822**	63,733	**740,215**	121,288
Amortization	8	**133,758**	–	**245,468**	–
Depreciation	12	**35,410**	2,153	**72,352**	4,258
Total expenses		**3,645,132**	1,378,568	**7,373,141**	2,276,406
Loss before other income (expense)		**(2,720,386)**	(977,005)	**(5,669,458)**	(1,515,496)
Other income (expense)					
Other income		**–**	52,093	**–**	52,833
Loss on settlement of promissory notes	9	**–**	–	**(30,821)**	–
Change in value of financial instruments	10	**3,870,982**	–	**6,332,668**	–
Government income	11	**–**	–	**–**	72,405
Equity-based compensation	15	**(76,330)**	–	**(242,349)**	–
Foreign exchange		**75,063**	–	**37,493**	–
Total other income		**3,869,715**	52,093	**6,096,991**	125,238
Net income (loss)		**1,149,329**	(924,912)	**427,533**	(1,390,258)
Currency translation adjustment		**106,020**	–	**141,533**	–
Comprehensive income (loss)		$ **1,255,349**	$ (924,912)	$ **569,066**	$ (1,390,258)
Income (loss) per share – basic	16	$ **0.01**	$ –	$ **0.01**	$ –
Income (loss) per share – diluted	16	$ **0.01**	$ –	$ **0.01**	$ –

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

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

For the six months ended June 30	Note	2022	2021
Share capital	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
Warrant reserve	14		
Balance, beginning of period		**2,819,127**	–
Exercise of warrants		**(373)**	–
Balance, end of period		**2,818,754**	–
Contributed surplus			
Balance, beginning of period		**20,921**	–
Equity-based compensation	15	**242,349**	–
Balance, end of period		**263,270**	–
Accumulated other comprehensive income (loss)			
Balance, beginning of period		**(8,871)**	–
Currency translation adjustment		**141,533**	–
Balance, end of period		**132,662**	–
Accumulated deficit			
Balance, beginning of period		**(29,754,753)**	(12,154,365)
Net income (loss)		**427,533**	(1,390,258)
Balance, end of period		**(29,327,220)**	(13,544,623)
Total shareholders' equity (deficit)		$ **2,024,664**	$ (4,521,835)

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

THE PLANTING HOPE COMPANY INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Stated in United States dollars)

For the six months ended June 30	Notes		2022		2021
Operating activities					
Net income (loss)		$	**427,533**	$	(1,390,258)
Add back (deduct) non-cash items:					
Amortization	8		**245,468**		–
Depreciation	12		**72,352**		4,258
Interest and accretion	19		**740,215**		121,288
Other income			**–**		(52,833)
Loss on settlement of promissory notes	9		**30,821**		–
Change in fair value of financial instruments	10		**(6,332,668)**		–
Government Income	11		**–**		(72,405)
Equity-based compensation	15		**242,349**		–
Change in non-cash working capital:					
Trade accounts receivable			**(271,255)**		(144,153)
Inventories			**(427,514)**		101,837
Prepaid expenses and deposits			**(210,733)**		4,177
Accounts payable and accrued liabilities			**(136,314)**		(462,447)
Cash flows used in operating activities			**(5,619,746)**		(1,890,536)
Investing activities					
Business combination	4		**(4,000,000)**		–
Property and equipment purchases			**(5,838)**		(5,602)
Cash used in investing activities			**(4,005,838)**		(5,602)
Financing activities:					
Proceeds from short-term debt			**–**		50,000
Repayment of short-term debt			**–**		(470,110)
Proceeds from convertible debt			**–**		3,165,062
Repayment of promissory notes	9(a)		**(2,000,000)**		–
Proceeds from credit facility	9(b)		**1,413,000**		–
Proceeds from government loans	11		**–**		197,314
Lease payments	12		**(72,756)**		–
Share issuance proceeds, net of issue costs	13		**5,499,995**		–
Related party (repayment) proceeds	20		**(53,972)**		59,313
Interest paid			**(84,134)**		(39,867)
Cash provided by financing activities			**4,702,133**		2,961,712
(Decrease) increase in cash			**(4,923,451)**		1,065,574
Cash, beginning of period			**5,810,961**		28,794
Cash effects of currency translation			**51,970**		–
Cash, end of period		$	**939,480**	$	1,094,368

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

1. NATURE OF OPERATIONS

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

On January 14, 2022, the Company closed the acquisition of RightRice® ("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.

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

2. BASIS OF PRESENTATION

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

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

Going concern

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the six months ended June 30, 2022, the Company generated net income of $427,533 (six months ended June 30, 2021 – net loss of $1,390,258) and reported $5,619,746 (six months ended June 30, 2021 – $1,890,536) of cash flows used by operating activities. As at June 30, 2022, the Company had an accumulated deficit of $29,327,220 (December 31, 2021 – $29,754,753) and a working capital deficit of $3,592,099 (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.

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 June 30, 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 August 24, 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.

(Stated in United States dollars)

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:

	Previously reported	Adjustment to estimates	Revised
Fair value of consideration:			
Cash	$ 4,000,000	$ –	$ 4,000,000
Promissory notes (Note 9(a))	2,875,904	–	2,875,904
	$ 6,875,904	$ –	$ 6,875,904
Fair value of net assets:			
Working capital	$ 1,441,459	$ (318,838)	$ 1,122,621
Intangible assets (Note 8)	3,679,000	–	3,679,000
Goodwill	1,755,445	318,838	2,074,283
	$ 6,875,904	$ –	$ 6,875,904

Since the Acquisition date on January 14, 2022, the RR business assets contributed $4,411,378 to revenues and a $69,382 loss to net income reported for the six months ended June 30, 2022.

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

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

Goodwill

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

(Stated in United States dollars)

5. TRADE ACCOUNTS RECEIVABLE

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

As at		June 30 2022		December 31 2021
Less than 60 days overdue	$	1,211,692	$	74,931
Greater than 60 days overdue		508,600		55,580
		1,720,292		130,511
Less allowance for expected credit losses		(18,696)		(19,069)
Trade accounts receivable	$	1,701,596	$	111,442

6. INVENTORIES

		June 30 2022		December 31 2021
Ingredients	$	944,551	$	90,733
Packaging		596,887		205,349
Finished goods		1,142,105		423,010
Reserve for obsolescence		(236,370)		(22,282)
	$	2,447,173	$	696,810

During the six months ended June 30, 2022, $2,594,356 (six months ended June 30, 2021 – $239,980) of inventory was expensed to cost of goods sold.

7. PREPAID EXPENSES AND DEPOSITS

		June 30 2022		December 31 2021
Insurance	$	23,804	$	23,710
Security deposit		21,750		11,750
Inventory purchase deposits		229,949		131,092
Trade show deposits		60,231		49,093
Service contracts		314,031		134,922
	$	649,765	$	350,567

8. INTANGIBLE ASSETS

		Customer relationships		Brand name		Technology		Total
Cost								
Acquired (Note 4)	$	1,993,000	$	674,000	$	1,012,000	$	3,679,000
Accumulated amortization								
Amortization expense		(91,187)		(61,676)		(92,605)		(245,468)
Net carrying amount								
June 30, 2022	$	1,901,813	$	612,324	$	919,395	$	3,433,532

(Stated in United States dollars)

9. SHORT-TERM DEBT

(a) Promissory Notes

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

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

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

Promissory Note 1 plus $17,260 of accrued interest was paid on March 18, 2022, following the completion of a bought-deal public offering (Note 13(b)(ii)) and the Company recognized a $30,821 loss on settlement of promissory notes in the June 30, 2022 consolidated statement of income (loss) and comprehensive income (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		66,611
Repayment		(2,000,000)
Loss on settlement		30,821
Balance, June 30, 2022	$	973,336

During the six months ended June 30, 2022, the Company recognized $40,137 of interest expense (Note 19) on the promissory notes. As at June 30, 2022, accounts payable and accrued liabilities included $23,699 of accrued interest.

(b) Credit Facility

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

(Stated in United States dollars)

Amount drawn	$	1,413,000
Annual fee		65,625
Fee repayments		(33,007)
Remaining balance of annual fee		32,618
Accrued interest		13,284
Balance, June 30, 2022	$	1,458,902

As at June 30, 2022, the balance drawn on the Credit Facility was $1,413,000. During the six months ended June 30, 2022, the Company recognized $13,284 (six months ended June 30, 2021 – $nil) of related interest expense and $5,469 of annual fee amortization (Note 19) in the consolidated statement of income (loss) and comprehensive income (loss).

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		–		546,924		–
Fair value adjustment		–		–		(6,332,668)
Foreign exchange		–		(52,345)		(37,218)
Balance, June 30, 2022	$	4,845,000	$	3,299,443	$	714,274

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

Expected volatility	141%	Expected dividend yield	nil
Expected life	0.4 years	Risk-free interest rate	3.1%
Share price	CAD $0.33 (1)	Fair value per SVS	CAD $0.05

(1) The market value of the Company's shares on June 30, 2022 of CAD $0.44 net of a 25% discount for lack of marketability.

During the six months ended June 30, 2022, the Company recognized $37,786 (six months ended June 30, 2021 – $nil) of interest expense (Note 19) on the Notes. As at June 30, 2022, accounts payable and accrued liabilities included $77,292 (December 31, 2021 – $40,658) of accrued interest.

(Stated in United States dollars)

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		1,720
Balance, June 30, 2022	$	20,250

During the six months ended June 30, 2022, the Company recognized $2,789 (six months ended June 30, 2021 – $2,813) of related interest expense (Note 19) in the consolidated statement of income (loss) and comprehensive income (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		–		(58,374)		(58,374)
Balance, June 30, 2022	$	583,786	$	(77,629)	$	506,157

For the six months ended June 30, 2022, the Company recognized $72,352 of depreciation expense comprised of $58,374 on right-of-use assets and $29,187 on other property and equipment (six months ended June 30, 2021 – $4,258 of depreciation expense on other property and equipment).

Lease liability		
Balance, December 31, 2021	$	570,673
Lease payments		(72,756)
Imputed interest		27,542
Balance, June 30, 2022		525,459
Current portion		(99,346)
Non-current portion	$	426,113

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

	Remainder of 2022	2023	2024	2025	2026	Total
Annual lease payments	$73,227	$148,811	$151,321	$150,126	$127,180	$650,665

(Stated in United States dollars)

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)
Balance, June 30, 2022	92,365,128	$	28,137,198

(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)
Balance, June 30, 2022	$ 0.28	11,516,625	$	2,818,754

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

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

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
$ 0.40	2,516,625	2.4	2,516,625
0.25	9,000,000	4.4	3,150,001
$ 0.28	11,516,625	3.9	5,666,626
$ 1.00	180,000	4.2	–

(Stated in United States dollars)

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)
Balance, June 30, 2022	$ 0.71	1,055,000

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 June 30, 2022 is summarized below:

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
$ 0.65	785,000	4.0	40,000
0.87	270,000	2.6	80,000
$ 0.71	1,055,000	3.6	120,000

During the three and six months ended June 30, 2022, the Company recognized $76,330 and $242,349 (three and six months ended June 30, 2021 – $nil), respectively, of equity-based compensation. The remaining unrecognized fair value at June 30, 2022 is $226,461.

(Stated in United States dollars)

16. PER SHARE AMOUNTS

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Net income (loss)	$ 1,149,329	$ (924,912)	$ 427,533	$ (1,390,258)
Convertible note interest and accretion (Note 19)	305,217	–	584,710	–
Adjusted net income (loss)	1,454,546	(924,912)	1,012,243	(1,390,258)
Weighted average number of shares outstanding				
Basic	92,365,128	–	85,251,467	–
Effect of in-the-money convertible notes, warrants and stock options	17,141,590	–	17,725,631	–
Diluted	109,506,718	–	102,977,098	–
Net income (loss) per share				
Basic	$ 0.01	$ –	$ 0.01	$ –
Diluted	$ 0.01	$ –	$ 0.01	$ –

The Company used an average market price for its shares of $0.65 and $0.82 per share for the three and six months ended June 30, 2022, respectively, for the purposes of calculating the dilutive effect of stock options, based on quoted market prices for the period that in-the-money convertible notes, warrants and stock options were outstanding.

17. REVENUES AND SEGMENT REPORTING

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

Geographical gross revenue is summarized as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Canada	$ 3,021	$ 3,315	$ 5,883	$ 18,944
U.S.	3,341,496	886,472	5,869,377	1,518,015
	$ 3,344,517	$ 889,787	$ 5,875,260	$ 1,536,959

During the six months ended June 30, 2022, the Company derived approximately 67% of its gross revenues from six customers of which two customers are e-commerce platforms which is more diverse, having several consumer customers purchasing within the e-commerce platforms (six months ended June 30, 2021 – 72% from three customers).

(Stated in United States dollars)

Sales channel net revenues are summarized as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Wholesale	$ 1,442,331	$ 176,993	$ 3,080,672	$ 338,898
Non-traditional	116,270	542,969	168,326	916,184
E-commerce	922,328	99,414	1,232,455	161,988
	$ 2,480,929	$ 819,376	$ 4,481,453	$ 1,417,070

18. SELLING, GENERAL AND ADMINISTRATIVE

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Payroll and recruiting	$ 905,132	$ 391,049	$ 1,764,433	$ 661,370
Professional fees	391,975	102,700	1,576,609	155,134
General office expenses	233,159	128,663	427,568	212,953
Outbound freight	319,126	61,438	664,462	118,157
Advertising and marketing	1,242,750	628,832	1,882,034	1,003,246
	$ 3,092,142	$ 1,312,682	$ 6,315,106	$ 2,150,860

19. INTEREST AND ACCRETION

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Short term debt and convertible debentures	$ –	$ 41,665	$ –	$ 92,516
Promissory notes (Note 9(a))	12,466	–	40,137	–
Credit facility (Note 9(b))	18,753	–	18,753	–
Convertible notes (Note 10)	18,916	–	37,786	–
Government loans (Note 11)	1,402	1,407	2,789	2,813
Imputed interest on lease liability (Note 12)	13,492	–	27,542	–
Accretion of promissory notes (Note 9)	33,332	–	66,611	–
Accretion of convertible notes (Note 10)	286,301	–	546,924	–
Accretion of government loans (Note 11)	879	7,552	1,720	9,053
Other interest, net of minor interest income	(1,719)	13,109	(2,047)	16,906
	$ 383,822	$ 63,733	$ 740,215	$ 121,288

(Stated in United States dollars)

20. RELATED PARTY TRANSACTIONS

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

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

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

(c) During the six months ended June 30, 2022, the Company incurred $nil (six months ended June 30, 2021 – $16,000) of consulting fees charged by a founding member of PHB and $43,229 (six months ended June 30, 2021 – $4,374) of consulting fees charged by the sibling of a founding member. As at June 30, 2022, accounts payable and accrued liabilities included $9,000 (December 31, 2021 – $1,310) due to these related parties.

(d) A founder of PHB is also a shareholder in another company that sells services to the Company. During the six months ended June 30, 2022, the Company was charged $nil (six months ended June 30, 2021 – $8,678) by the related company. As at June 30, 2022, accounts payable and accrued liabilities included $nil (December 31, 2021 – $nil) due to the related company.

21. LIQUIDITY RISK

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

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

As at June 30, 2022	Carrying amount	Less than 1 year	1 to 2 years	2 to 5 years	5 years +	Total contractual amount
Accounts payable and accrued liabilities	$ 2,778,860	$ 2,778,860	$ –	$ –	$ –	$ 2,778,860
Promissory notes	973,336	1,000,000	–	–	–	1,000,000
Credit facility	1,458,902	1,458,902	–	–	–	1,458,902
Convertible notes	3,299,443	3,759,894	–	–	–	3,759,894
Due to related parties	5,952	5,952	–	–	–	5,952
Government loans	20,250	1,586	6,362	11,242	130,810	150,000
Lease liability	525,459	73,227	148,811	301,447	127,180	650,665
	$ 9,062,202	$ 9,078,421	$ 155,173	$ 312,689	$ 257,990	$ 9,804,273

The Company's liabilities include Notes totaling $3,299,443 (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.

22. SUBSEQUENT EVENTS

On July 29, 2022, the Company granted the following restricted share units ("RSUs") and stock options to purchase SVS of the Company:

- 2,516,434 RSUs to certain directors, officers and employees of the Company. The RSUs have a five-year term from the grant date and vest annually in three equal tranches over three years from the grant date.
- 436,590 stock options to two investor relations advisors. The stock options have a five-year term from the grant date and vest semi-annually in six equal tranches over three years from the grant date. 240,000 stock options are exercisable at CAD $0.50 per SVS and 196,590 stock options are exercisable at $0.44 per SVS.
- 60,000 stock options to a director of the Company exercisable at $0.44 per SVS for a five-year term from the grant date. The stock options vest semi-annually in six equal tranches over three years from the grant date.
- 304,697 stock options to certain employees and contractors of the Company exercisable at $0.44 per SVS for a five-year term from the grant date. The stock options vest quarterly in 12 equal tranches over three years from the grant date.

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