

The Planting Hope Company Inc.
Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2023
(Unaudited)
(Stated in United States dollars)



**Notice of No Auditor Review of
Condensed Interim Consolidated Financial Statements**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2023.



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

As at	Note	June 30 2023	December 31 2022
		(Unaudited)	(Audited)
Assets			
Current assets			
Cash		\$ 506,724	\$ 236,532
Trade accounts receivable	4	844,726	1,003,526
Inventories	5	1,939,746	2,604,295
Prepaid expenses and deposits		551,317	229,958
Total current assets		3,842,513	4,074,311
Non-current assets			
Goodwill	3	2,243,283	2,243,283
Intangible assets	6	2,696,696	2,973,403
Right-of-use assets	9	389,409	447,783
Property and equipment		80,834	102,092
Total assets		\$ 9,252,735	\$ 9,840,872
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 5,188,552	\$ 4,100,413
Short-term debt	7	1,413,570	2,900,290
Convertible debt	8	305,796	144,913
Current portion of lease liability	9	83,192	105,823
Due to related parties	17	5,952	5,952
Total current liabilities		6,997,062	7,257,391
Non-current liabilities			
Convertible debt	8	3,624,829	546,499
Lease liability	9	342,922	371,661
Government loans		26,143	26,547
Total liabilities		10,990,956	8,202,098
Shareholders' (deficit) equity			
Share capital	10	35,123,450	34,307,944
Warrant reserve	11	2,637,324	3,053,709
Contributed surplus		1,144,591	751,419
Equity component of convertible debt	8	1,470,286	924,099
Accumulated other comprehensive income		119,428	162,122
Accumulated deficit		(42,233,300)	(37,560,519)
Total shareholders' (deficit) equity		(1,738,221)	1,638,774
Total liabilities and shareholders' (deficit) equity		\$ 9,252,735	\$ 9,840,872

Going concern (Note 1)

Subsequent events (Note 19)

Approved by the Board of Directors: Signed Kay Wong-Alafriz, Director

Signed Julia Stamberger, Director

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



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

	Note	For the three months ended June 30		For the six months ended June 30	
		2023	2022	2023	2022
Revenues	14	\$ 2,718,897	\$ 3,344,517	\$ 5,955,590	\$ 5,875,260
Trade spend		(1,009,054)	(757,743)	(1,617,480)	(1,253,207)
Spoilage and cash discounts		(146,585)	(105,845)	(336,008)	(140,600)
Net revenues	14	1,563,258	2,480,929	4,002,102	4,481,453
Cost of goods sold		(1,316,376)	(1,556,183)	(2,967,609)	(2,777,770)
Gross profit		246,882	924,746	1,034,493	1,703,683
Expenses					
Selling, general and administrative	15	2,595,475	3,092,142	5,145,823	6,315,106
Interest and accretion	16	326,157	383,822	505,006	740,215
Equity-based compensation	12	205,341	76,330	393,172	242,349
Discontinued products	5	64,504	–	207,945	–
Amortization	6	139,118	133,758	276,707	245,468
Depreciation	9	43,171	35,410	86,069	72,352
Total expenses		3,373,766	3,721,462	6,614,722	7,615,490
Loss before other income (expense)		(3,126,884)	(2,796,716)	(5,580,229)	(5,911,807)
Other income (expense)					
Change in value of financial instruments		–	3,870,982	–	6,332,668
Loss on repayment of promissory notes	7	–	–	–	(30,821)
Gain on short-term debt settlement	7	978,426	–	978,426	–
Loss on convertible debt conversion	8	(2,721)	–	(2,721)	–
Foreign exchange		(64,261)	75,063	(68,257)	37,493
Total other income		911,444	3,946,045	907,448	6,339,340
Net income (loss)		(2,215,440)	1,149,329	(4,672,781)	427,533
Currency translation adjustment		(15,836)	106,020	(42,694)	141,533
Comprehensive income (loss)		\$ (2,231,276)	\$ 1,255,349	\$ (4,715,475)	\$ 569,066
Income (loss) per share – basic	13	\$ (0.02)	\$ 0.01	\$ (0.04)	\$ 0.01
Income (loss) per share – diluted	13	\$ (0.02)	\$ 0.01	\$ (0.04)	\$ 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' (DEFICIT) EQUITY
 (Unaudited)
 (Stated in United States dollars)

For the six months ended June 30	Note	2023	2022
Share capital			
	10		
Balance, beginning of period		\$ 34,307,944	\$ 22,636,830
Bought-deal public offering		–	6,287,589
Exercise of warrants		762,510	901
Convertible debt conversion		14,522	–
Convertible debt interest settlement		38,474	–
Share issue costs		–	(788,122)
Balance, end of period		35,123,450	28,137,198
Warrant reserve			
	11		
Balance, beginning of period		3,053,709	2,819,127
Warrant issue		22,638	–
Exercise of warrants		(439,023)	(373)
Balance, end of period		2,637,324	2,818,754
Contributed surplus			
Balance, beginning of period		751,419	20,921
Equity-based compensation	12	393,172	242,349
Balance, end of period		1,144,591	263,270
Equity component of convertible debt			
Balance, beginning of period		924,099	–
Issuance of convertible debt	8	571,740	–
Convertible debt conversion	8	(25,553)	–
Balance, end of period		1,470,286	–
Accumulated other comprehensive income (loss)			
Balance, beginning of period		162,122	(8,871)
Currency translation adjustment		(42,694)	141,533
Balance, end of period		119,428	132,662
Accumulated deficit			
Balance, beginning of period		(37,560,519)	(29,754,753)
Net loss		(4,672,781)	427,533
Balance, end of period		(42,233,300)	(29,327,220)
Total shareholders' (deficit) equity		\$ (1,738,221)	\$ 2,024,664

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	2023	2022
Operating activities			
Net income (loss) for the period		\$ (4,672,781)	\$ 427,533
Add back (deduct) non-cash items:			
Amortization	6	276,707	245,468
Depreciation	9	86,069	72,352
Equity-based compensation	12	393,172	242,349
Interest and accretion	16	505,006	740,215
Change in fair value on financial instruments		-	(6,332,668)
Loss on repayment of promissory notes	7	-	30,821
Gain on short-term debt settlement	7	(978,426)	-
Loss on convertible debt conversion	8	2,721	-
Change in non-cash working capital:			
Trade accounts receivable		142,840	(271,255)
Inventories		664,549	(427,514)
Prepaid expenses and deposits		(321,359)	(210,733)
Accounts payable and accrued liabilities		1,088,139	(136,314)
Cash flows used in operating activities		(2,813,363)	(5,619,746)
Investing activities			
Business combination	3	-	(4,000,000)
Property and equipment purchases		(6,437)	(5,838)
Cash (used in) provided by investing activities		(6,437)	(4,005,838)
Financing activities:			
Proceeds from short-term debt	7	1,077,476	1,413,000
Repayment of short-term debt	7	(1,576,732)	(2,000,000)
Proceeds from convertible debt, net of issue costs	8	3,392,336	-
Lease payments	9	(74,166)	(72,756)
Government loan payments		(4,594)	-
Share issuance proceeds, net of issue costs	10	323,487	5,499,995
Repayment of due to related parties		-	(53,972)
Interest paid		(118,513)	(84,134)
Cash provided by financing activities		3,019,294	4,702,133
Increase (decrease) in cash		199,494	(4,923,451)
Cash effects of currency translation		70,698	51,970
Cash, beginning of period		236,532	5,810,961
Cash, end of period		\$ 506,724	\$ 939,480

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



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

1. NATURE OF OPERATIONS

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

On January 14, 2022, the Company closed the acquisition of RightRice® business assets from Better Foods, Inc. (Note 3).

The head office and registered office of TPHC is located at c/o 400 – 725 Granville Street, Vancouver, British Columbia, V7Y 1G5. 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 (the “TSXV”) under the symbol “MYLK” and on the OTCBQ Venture Market under the symbol “MYLKF”.

Going concern

These unaudited condensed interim 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, 2023, the Company reported a net loss of \$4,672,781 (six months ended June 30, 2022 – net income of \$427,533) and \$2,813,363 of cash flows used by operating activities (six months ended June 30, 2022 – \$5,619,746). As at June 30, 2023, the Company had an accumulated deficit of \$42,233,300 (December 31, 2022 – \$37,560,519) and a working capital deficit of \$3,154,549 (December 31, 2022 – \$3,183,080). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company’s ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent on the ability of the Company to achieve positive cash flow from operations and/or obtain necessary equity or other financing to continue.

Subsequent to June 30, 2023, the Company issued a total of 1,704,485 SVS upon the settlement or conversion of \$478,185 of debts, repaid \$154,990 of short-term debt, raised \$335,934 of additional funds, acquired certain Argo Tea® assets from Golden Fleece Beverages, Inc. (“Golden Fleece”) and entered into a loan agreement in connection with the Argo Tea® asset acquisition for up to \$1,000,000 of loan proceeds. (Note 19).

These unaudited condensed interim consolidated financial statements do not reflect adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern. Such adjustments to the carrying value of assets and liabilities, the reported expenses and their classifications, if required, could be material.

2. BASIS OF PRESENTATION

These 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.



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

The Company has consistently applied the same accounting policies throughout all periods presented. 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, 2022.

The Company adopted amendments to certain accounting pronouncements effective January 1, 2023, however, the amendments had no impact on the Company's June 30, 2023 condensed interim consolidated financial statements nor do the amendments relate to accounting policies considered material to the Company. An accounting policy is considered material to the Company if it provides information to facilitate the understanding of other material information reported and disclosed in the Company's consolidated financial statements.

The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 29, 2023.

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

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

3. BUSINESS COMBINATION

On January 14, 2022, the Company closed the arm's-length acquisition of RightRice® business assets (the "Acquisition") from Betterer Foods, Inc. (the "Seller") for total consideration of \$6,875,904 comprised of \$4,000,000 in cash and two unsecured promissory notes bearing interest at 5% per annum valued at \$2,875,904 based on expected cash flows discounted at a rate of 15%.

The Acquisition was accounted for as a business combination and 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 7(a))	2,875,904
	\$ 6,875,904

Fair value of net assets:

Trade accounts receivable	\$ 1,351,906
Inventories	1,322,849
Prepaid expenses and deposits	22,840
Accounts payable and accrued liabilities	(1,574,974)
Intangible assets (Note 6)	3,510,000
Goodwill	2,243,283
	\$ 6,875,904



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
 (Unaudited)
 (Stated in United States dollars)

4. TRADE ACCOUNTS RECEIVABLE

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

	June 30 2023	December 31 2022
Less than 60 days overdue	\$ 780,332	\$ 816,610
Greater than 60 days overdue	65,995	202,197
	846,327	1,018,807
Less allowance for expected credit losses	(1,601)	(15,281)
Trade accounts receivable	\$ 844,726	\$ 1,003,526

5. INVENTORIES

	June 30 2023	December 31 2022
Ingredients	\$ 409,865	\$ 400,746
Packaging	491,797	691,416
Finished goods	1,417,288	1,614,774
Reserve for obsolescence	(182,344)	(102,641)
Discontinued products	(196,860)	-
	\$ 1,939,746	\$ 2,604,295

During the six months ended June 30, 2023, \$2,862,883 (six months ended June 30, 2022 – \$2,594,356) of inventory was expensed to cost of goods sold.

6. INTANGIBLE ASSETS

	Customer relationships	Brand name	Technology	Total
Cost				
Balance, December 31, 2022 and June 30, 2023	\$ 1,440,000	\$ 1,510,000	\$ 560,000	\$ 3,510,000
Accumulated amortization				
Balance, December 31, 2022	\$ (138,477)	\$ (290,416)	\$ (107,704)	\$ (536,597)
Amortization expense	(71,408)	(149,759)	(55,540)	(276,707)
Balance, June 30, 2023	\$ (209,885)	\$ (440,175)	\$ (163,244)	\$ (813,304)
Net carrying amount				
December 31, 2022	\$ 1,301,523	\$ 1,219,584	\$ 452,296	\$ 2,973,403
June 30, 2023	\$ 1,230,115	\$ 1,069,825	\$ 396,756	\$ 2,696,696



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
 (Unaudited)
 (Stated in United States dollars)

7. SHORT-TERM DEBT

	June 30 2023	December 31 2022
Promissory notes (a)	\$ 100,000	\$ 1,093,290
Credit facility (b)	942,474	1,807,000
Promissory note (c)	133,771	–
Bridge loans (d)	237,325	–
	\$ 1,413,570	\$ 2,900,290

A continuity of short-term debt is summarized in the following table:

Balance, December 31, 2022	\$ 2,900,290
Cash proceeds	1,077,476
Accrued interest	84,789
Interest paid	(81,209)
Cash repayment	(1,576,732)
Debt settlement (a)	(994,386)
Foreign exchange	3,342
Balance, June 30, 2023	\$ 1,413,570

During the six months ended June 30, 2023, the Company recognized \$84,789 (six months ended June 30, 2022 – \$58,890) of interest expense on short-term debt (Note 16).

(a) Promissory notes

As part of the consideration for the Acquisition completed on January 14, 2022 (Note 3), the Company issued two promissory notes.

The first unsecured promissory note (“Promissory Note 1”) in the amount of \$2,000,000 plus \$17,260 of accrued interest was paid on March 18, 2022 at which time the Company recognized a \$30,821 loss on settlement of promissory notes in the condensed interim consolidated statement of loss and comprehensive loss for the comparative period.

The second unsecured promissory note (“Promissory Note 2”) in the amount of \$1,000,000 was fully due and payable (including all accrued interest) on January 14, 2023. Pursuant to the terms of the Acquisition, the Company has the right to withhold from payment on Promissory Note 2 an amount equal to the Company’s good faith, reasonable estimate of the maximum amount of indemnifiable losses for Seller’s breach of representations and warranties in the Asset Purchase Agreement.

In January 2023, the Company exercised the right of setoff in connection with indemnification claims it has asserted against the Seller withheld payment of Promissory Note 2. In May 2023, the Company and Seller signed a settlement agreement and mutual release. Pursuant to the settlement agreement, the Company will make a \$100,000 payment to the Seller, of which \$25,000 was paid on July 13, 2023 (Note 19) and \$75,000 is due on or before November 30, 2023, as settlement of Promissory Note 2 plus all accrued and unpaid interest and net of setoffs. In connection with the settlement agreement, the Company recognized a \$978,426 gain on settlement of promissory notes in the current period condensed interim consolidated statement of loss and comprehensive loss.

During the six months ended June 30, 2023, the Company recognized \$1,096 (six months ended June 30,



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

2022 – \$40,137) of interest expense on Promissory Note 2.

(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 certain assets of PHB with a carrying value of \$5.9 million as at June 30, 2023 and is in place for 18 months to November 4, 2023. A facility fee of \$65,625 equal to 1.75% of the maximum amount of the Credit Facility was charged and paid via proceeds from eligible accounts receivable which are first applied against the facility fee until fully repaid and next against accrued and unpaid interest. Proceeds from eligible accounts receivable in excess of the facility fee and accrued interest are paid to the Company. The facility fee is amortized to interest and accretion expense on a straight-line basis.

As at June 30, 2023, the balance drawn on the Credit Facility was \$942,474 (December 31, 2022 – \$1,807,000). During the six months ended June 30, 2023, the Company recognized \$81,209 (six months ended June 30, 2022 – \$13,284) of interest expense and \$21,875 (six months ended June 30, 2022 – \$5,469) of facility fee amortization (Note 16).

(c) Promissory note

On May 17, 2023, the Company executed a promissory note agreement (the “Note”) with an unrelated individual (the “Holder”) for proceeds of \$129,990 (CAD \$175,000). The Note bears interest at 10% per annum and matures on July 17, 2023. Unless paid earlier, the unpaid principal amount of the Note and accrued interest shall be payable on the earliest of (1) fifteen days following the demand of the Holder which may not be made earlier than the July 17, 2023 (2) one business day following the completion of a qualified financing for gross proceeds of \$1 million or CAD \$1.4 million and (3) an event of default as defined in the Note agreement. The unpaid principal amount of the Notes and accrued interest is convertible, at the option of the Holder, into SVS of the Company at the lowest price per SVS of the Company’s next equity financing, the effect of which is nominal and therefore not accounted for.

During the six months ended June 30, 2023, the Company recognized \$1,571 of interest expense. The Note and accrued interest was repaid on July 28, 2023 (Note 19).

(d) Bridge loans

In June 2023, the Company received an aggregate of \$235,280 (CAD \$312,988) of proceeds pursuant to bridge loan agreements (the “Bridge Loans”) signed with various current and new investors (the “Lenders”). The Bridge Loans mature on the date which is the earlier of (i) January 19, 2024 and (ii) the date that the Company closes a financing for gross proceeds greater than CAD \$12.5 million. The Bridge Loans bear interest at 10% per annum, accruing daily on each amount advanced from the date of advance, compounding monthly and payable on the maturity date. The Company may prepay the Bridge Loans and accrued interest, upon 30 days’ prior written notice, at any time without premium or penalty.

Subject to the approval of the TSXV, the Company will issue to each Lender a number of warrants that is the CAD amount advanced divided by CAD \$0.34, being the closing market price of the Company’s shares on July 19, 2023. This equates to a total of 920,553 warrants in respect of CAD \$312,988 of Bridge Loans as at June 30, 2023. Warrants will be exercisable at CAD \$0.34 per SVS for a term of one year from the date of issuance.

During the six months ended June 30, 2023, the Company recognized \$913 of interest expense on the Bridge Loans.



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

8. CONVERTIBLE DEBT

	June 30 2023	December 31 2022
Convertible debentures (a)	\$ 3,821,588	\$ 589,422
Convertible note interest (b)	109,037	101,990
	3,930,625	691,412
Current portion	(305,796)	(144,913)
Long-term portion	\$ 3,624,829	\$ 546,499

During the six months ended June 30, 2023, the Company recognized \$200,985 (six months ended June 30, 2022 – \$37,786) of interest expense and \$162,706 (six months ended June 30, 2022 – \$546,924) of accretion on convertible debt (Note 16).

(a) Convertible debentures

A continuity of convertible debentures is as follows:

	Principal amount (CAD)	Debt portion (USD)	Equity portion (USD)
2022 Convertible Debentures (i)			
Principal amount	2,223,750		
Issue costs	(234,389)		
Balance, December 31, 2022	\$ 1,989,361	\$ 589,422	\$ 924,099
2023 Convertible Debentures (ii) and (iii)			
Principal amount	4,735,600	2,883,841	584,533
Issue costs	(103,838)	(63,245)	(12,793)
	4,631,762	2,820,596	571,740
2022 Debentures converted	(50,000)	(8,401)	(25,553)
Accretion	–	162,706	–
Accrued interest	–	191,897	–
Interest paid	–	(7,764)	–
Interest converted	–	(33,982)	–
Foreign exchange	–	107,114	–
Balance, June 30, 2023	\$ 6,571,123	\$ 3,821,588	\$ 1,470,286

(i) 2022 Convertible Debentures

As at December 31, 2022, the Company had CAD \$2,223,750 principal amount of convertible debentures (the “2022 Debentures”) outstanding. The principal amount bears interest at 12% per annum, payable semi-annually in arrears and matures on October 20, 2025 (the “maturity date”).

At any time prior to the maturity date, holders of the 2022 Debentures may convert all or a portion of the principal amount into units of the Company at CAD \$0.55 per unit where each unit is comprised of one SVS and one warrant exercisable into one subordinated voting share (“SVS”) at an exercise price of CAD \$0.80 at any time prior to the maturity date.



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

Interest may be paid at the election of the Company in cash or converted into SVS at a conversion price (the "Interest Conversion Price") equal to the maximum Discounted Market Price (as defined under the policies of the TSXV) based on the closing price of the Company's shares on the date immediately preceding the interest payment due date.

On the maturity date, the Company has the option to:

- repay in cash the principal amount plus all bonus interest and accrued and unpaid interest; or
- convert the principal amount into units at CAD \$0.55 per unit and repay all bonus interest and accrued and unpaid interest in cash or convert into SVS at the Interest Conversion Price.

At any time after April 21, 2023, the Company may provide a redemption notice to the 2022 Debenture holders to redeem, by cash payment, the face value of the 2022 Debentures and all accrued and unpaid interest plus a redemption penalty of 8% of the face value (the "Redemption Amount"). After receipt of the redemption notice, holders may elect to convert all or a portion of the principal amount into units at CAD \$0.55 per unit and convert all or a portion of related bonus interest and accrued and unpaid interest into SVS at the Interest Conversion Price. The Redemption Amount shall be paid in cash.

On May 16, 2023, the Company issued 90,909 units for the conversion of \$37,160 (CAD \$50,000) principal amount of 2022 Debentures at which time the Company recognized a \$2,721 loss on convertible debt conversion.

On June 8, 2023, the Company issued an aggregate of 137,049 SVS for the payment \$6,166 (CAD \$8,236) bonus interest and unpaid accrued interest on the converted 2022 Debentures and \$32,308 (CAD \$43,158) of other unpaid accrued interest.

The June 30, 2023 face value of the 2022 Debentures is \$1,838,853 (CAD \$2,434,600) representing the \$1,641,833 (CAD \$2,173,750) principal amount plus \$197,020 (CAD \$260,850) of bonus interest.

During the six months ended June 30, 2023, the Company recognized \$94,349 (six months ended June 30, 2022 – \$nil) of interest expense on the 2022 Debentures, paid \$7,764 of accrued interest and converted an aggregate of \$38,474 of bonus interest and accrued interest.

(ii) 2023 \$0.50 Debentures

In February and March 2023, the Company completed the private placement of unsecured, non-transferable convertible debentures (the "2023 \$0.50 Debentures") in two tranches for aggregate gross proceeds of \$2,924,679 (CAD \$4,004,600) representing the principal amount, of which \$981,941 (CAD \$1,250,500) matures on February 28, 2026 and \$2,005,738 (CAD \$2,754,000) matures on March 13, 2026. The 2023 \$0.50 Debentures bear interest at 10% per annum, payable semi-annually in arrears. Interest may be paid at the election of the Company in cash or converted into SVS at the Interest Conversion Price.

At any time prior to the maturity date, holders of the 2023 \$0.50 Debentures may convert all or a portion of the principal amount into units of the Company at CAD \$0.50 per unit where each unit is comprised of one SVS and one warrant exercisable into one SVS at an exercise price of CAD \$0.80 at any time prior to the maturity date.

At any time that is one year after the date of issuance and prior to the maturity date, the Company may provide a redemption notice to the 2023 \$0.50 Debenture holders to redeem, by cash payment, the principal amount of the 2023 \$0.50 Debentures and all accrued and unpaid interest plus a Redemption Penalty. After receipt of the redemption notice, holders may elect to convert all or a portion of the principal amount into units at CAD \$0.50 per unit and convert all or a portion of accrued and unpaid



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

interest into SVS at the Interest Conversion Price. The Redemption Penalty shall be paid in cash.

On the maturity date, the Company has the option to:

- repay in cash the principal amount plus all accrued and unpaid interest; or
- convert the principal amount into units at the lesser of (i) CAD \$0.50 per unit and (ii) the maximum Discounted Market Price (as defined under the policies of the TSXV) based on the closing price of the Company's shares on the date immediately preceding the maturity date (the "Principal Conversion Price"); and
- repay all accrued and unpaid interest in cash or convert into SVS at the Interest Conversion Price.

The 2023 \$0.50 Debentures, SVS, warrants and underlying securities of the Company issuable on conversion or exercise are subject to a four-month hold period. In addition, the SVS, warrants and underlying securities will not be transferable or saleable until six months and one day from the closing date.

At issuance, the principal amount of the 2023 \$0.50 Debentures is considered to be a financial liability because although there is no contractual obligation to settle in cash, it is convertible into a variable number of units based on the Principal Conversion Price, if and when converted. The interest payable on the 2023 \$0.50 Debentures, is also considered to be a financial liability as it is convertible into a variable number of SVS based on the Interest Conversion Price, if and when converted. The estimated fair value of the principal amount and interest payable was determined to be \$2,445,188 (CAD \$3,348,060) based on the present value of expected cash flows discounted at 18% and the \$479,491 (CAD \$656,540) the residual portion of the 2023 \$0.50 Debenture proceeds was allocated to equity. At issuance, the estimated fair value of the Redemption Amount was determined to be nominal and therefore no amount has been recognized in the consolidated financial statements.

The Company paid \$8,284 (CAD \$11,343) of finders' and broker fees and incurred \$56,597 (CAD \$77,495) of other direct costs in connection with the private placement which have been attributed to debt and equity issue costs based on the relative values of the debt and equity portions.

The debt portion, net of attributed issue costs, is accreted using an effective interest rate of approximately 1.4% per month. Accretion expense is included in accretion and interest expense in the consolidated statement of loss and comprehensive loss.

The June 30, 2023 face value of the 2023 \$0.50 Debentures is \$3,024,674 (CAD \$4,004,600) representing the principal amount. During the six months ended June 30, 2023, the Company recognized \$92,255 of interest expense on the 2023 \$0.50 Debentures.

(iii) 2023 \$0.42 Convertible Debentures

In April, May and June 2023, the Company issued \$543,695 (CAD \$731,000) principal amount of unsecured, non-transferable convertible debentures (the "2023 \$0.42 Debentures"). The 2023 \$0.42 Debentures bear interest at 10% per annum, payable semi-annually in arrears and mature on August 23, 2026.

The terms of the 2023 \$0.42 Debentures are identical to those of the 2023 \$0.50 Debentures (Note 8(a)(ii)) except that the 2023 \$0.42 Debentures are convertible into units of the Company at CAD \$0.42 per unit where each unit is comprised of one SVS and one warrant exercisable into one SVS at an exercise price of CAD \$0.50 at any time prior to the maturity date.

The 2023 \$0.42 Debentures, SVS, warrants and underlying securities of the Company issuable on conversion or exercise are subject to a hold period and may not be traded until December 24, 2023. In



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

addition, the SVS, warrants and underlying securities will not be transferable or saleable until February 24, 2024.

The estimated fair value of the principal amount and interest payable was determined to be \$438,653 (CAD \$589,740) based on the present value of expected cash flows discounted at 19% and the \$105,042 (CAD \$141,260) the residual portion of the 2023 \$0.42 Debenture proceeds was allocated to equity. At issuance, the estimated fair value of the Redemption Amount was determined to be nominal and therefore no amount has been recognized in the consolidated financial statements.

The Company incurred approximately \$11,157 (CAD \$15,000) of direct costs in connection with the private placement which have been attributed to debt and equity issue costs based on the relative values of the debt and equity portions.

The debt portion, net of attributed issue costs, is accreted using an effective interest rate of approximately 1.4% per month. Accretion expense is included in accretion and interest expense in the consolidated statement of loss and comprehensive loss.

The June 30, 2023 face value of the 2023 \$0.42 Debentures is \$552,124 (CAD \$731,000) representing the principal amount. During the six months ended June 30, 2023, the Company recognized \$7,107 of interest expense on the 2023 \$0.42 Debentures.

(b) Convertible note interest

As at December 31, 2022, the Company had \$101,990 of accrued and unpaid interest due in respect of unsecured convertible notes (the "Notes") issued in 2021 for which the principal portion was converted to 17,303,571 SVS of the Company in November 2022.

On March 31, 2023, the Company issued a promissory note for a portion of the accrued and unpaid interest in the principal amount of \$99,475 (CAD \$134,625). The promissory note bears interest at 10% per annum commencing on November 14, 2022 until the full and final payment of the principal amount on or before March 31, 2024. The remaining portion of accrued and unpaid interest will continue to accrue interest at 10% per annum until paid.

During the six months ended June 30, 2023, the Company recognized \$4,619 of interest on the accrued and unpaid interest based on a simple rate of 10% per annum (six months ended June 30, 2022 – \$37,786 of interest on Notes).

As at June 30, 2023, the aggregate balance of accrued and unpaid interest due in respect of the Notes was \$109,037.

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Right-of-use assets	Cost	Accumulated depreciation	Carrying amount
Balance, December 31, 2022	\$ 583,786	\$ (136,003)	\$ 447,783
Depreciation expense	–	(58,374)	(58,374)
Balance, June 30, 2023	\$ 583,786	\$ (194,377)	\$ 389,409

During the six months ended June 30, 2023, the Company recognized \$86,069 of depreciation expense comprised of \$58,374 on right-of-use assets and \$27,695 on other property and equipment (six months ended June 30, 2022 – \$72,352 comprised of \$58,374 on right-of-use assets and \$13,978 on other property and equipment).



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

Lease liability	
Balance, December 31, 2022	\$ 477,484
Lease payments	(74,166)
Imputed interest	22,796
Balance, June 30, 2023	426,114
Current portion	(83,192)
Non-current portion	\$ 342,922

As at June 30, 2023, the remaining expected annual undiscounted lease payments are as follows:

	2023 (Remainder)	2024	2025	2026	Total
Annual lease payments	74,645	151,321	150,126	127,180	503,272

10. SHARE CAPITAL

(a) The Company's authorized share capital is comprised of an unlimited number of SVS and multiple voting shares ("MVS"), with each MVS equivalent to 100 SVS.

Equivalent SVS Issued	Number of shares	Amount
Balance, December 31, 2022	111,968,971	\$ 34,307,944
Exercise of warrants	1,758,200	762,510
Conversion of 2022 Debentures (Note 8(a)(i))	90,909	14,522
Settlement of 2022 Debenture interest (Note 8(a)(i))	137,049	38,474
Balance, June 30, 2023	113,955,129	\$ 35,123,450

(i) During February and March 2023, the Company issued a total of 1,758,200 SVS upon the exercise of 1,758,200 warrants for aggregate cash proceeds of \$323,487 (CAD \$439,550) and an allocation of fair value in the amount of \$439,023.

(ii) On May 16, 2023, the Company issued 90,909 units upon the conversion of \$37,160 (CAD \$50,000) principal amount of 2022 Debentures (Note 8(a)(i)). Each unit is comprised of one SVS and one warrant exercisable into one SVS at an exercise price of CAD \$0.80 at any time prior to October 20, 2025.

The issue date fair value of the 90,909 warrants was determined to be \$22,638 (CAD \$30,460) using the Black-Scholes model based on the following assumptions:

Expected volatility	140%	Expected dividend yield	nil
Expected life	2.4 years	Risk-free interest rate	3.95%
Share price	CAD \$0.50	Fair value per option	CAD \$0.34



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

(b) Escrowed equity instruments

Pursuant to an escrow agreement dated October 29, 2021 in connection with the Company's initial public offering completed on November 12, 2021, the following equity instruments are held in escrow:

	SVS	MVS	Performance warrants exercisable into SVS	Performance warrants exercisable into MVS	Stock options exercisable into SVS
Balance, June 30, 2023	40,974	104	64,800	198,000	292,652
Scheduled release:					
November 12, 2023	10,243	26	16,200	49,500	73,163
May 12, 2024	10,243	26	16,200	49,500	73,163
November 12, 2024	20,488	52	32,400	99,000	146,326

11. WARRANTS

Exercisable into SVS	Weighted average exercise price (CAD)	Number of warrants	Amount
Balance, December 31, 2022	\$ 0.36	13,216,897	\$ 3,053,709
Exercised (Note 10(a)(i))	(0.25)	(1,758,200)	(439,023)
Issued (Note 10(a)(ii))	0.80	90,909	22,638
Balance, June 30, 2022	\$ 0.38	11,549,606	\$ 2,637,324

As at December 31, 2022 and June 30, 2023, the Company also had 180,000 warrants exercisable into MVS outstanding.

Information about warrants outstanding as at June 30, 2023 is summarized below:

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
Exercisable into SVS			
\$ 0.80	2,091,181	2.5	2,091,181
0.40	2,516,625	1.4	2,516,625
0.25	6,941,800	3.4	6,941,800
\$ 0.36	11,549,606	2.8	11,549,606
Exercisable into MVS			
\$ 1.00	180,000	3.2	—



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

12. STOCK OPTIONS AND RESTRICTED SHARE UNITS

(a) Stock options

Exercisable into SVS	Weighted average exercise price (CAD)	Number of options
Balance, December 31, 2022	\$ 0.58	2,091,287
Granted	0.62	619,876
Forfeited	(0.55)	(494,184)
Balance, June 30, 2023	\$ 0.60	2,216,979

On April 14, 2023, the Company granted 619,876 stock options exercisable at CAD \$0.62 per SVS and expiring on April 14, 2028 with the following vesting terms:

- 36,129 stock options vested immediately;
- 288,978 stock options vest annually in three equal tranches over three years from the grant date; and
- 294,769 stock options vest quarterly in 12 equal tranches over three years from the grant date.

The grant date fair value of these options was determined to be \$249,760 using the Black-Scholes model based on the following assumptions:

Expected volatility	131%	Expected dividend yield	nil
Expected life	5 years	Risk-free interest rate	3.21%
Share price	CAD \$0.62	Fair value per option	CAD \$0.54

Information about stock options outstanding as at June 30, 2023 is summarized below:

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
\$ 0.44	602,429	3.3	206,172
0.45	135,000	4.1	—
0.62	564,550	4.8	36,129
0.65	585,000	3.2	175,500
0.81	100,000	3.8	33,333
0.87	230,000	1.6	220,000
\$ 0.60	2,216,979	3.6	671,134

(b) Restricted share units (“RSUs”)

	Number outstanding	Number exercisable
Balance, December 31, 2022	2,516,434	—
Granted	645,362	—
Forfeited	(527,524)	—
Balance, June 30, 2023	2,634,272	—

On April 14, 2023, the Company granted 645,362 RSUs to certain directors, officers and employees of the



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

Company. The RSUs vest annually in three equal tranches over three years from the grant date and expire on April 14, 2028.

The grant date fair value of these RSUs was determined to be \$299,455 based on the \$0.46 (CAD \$0.62) market price of the Company's common shares on the grant date.

Information about RSUs outstanding as at June 30, 2023 is summarized below:

Number outstanding	Weighted average life remaining (years)	Vesting
2,070,630	4.1	One-third on July 29, 2023, 2024 and 2025
563,642	4.8	One-third on April 14, 2024, 2025 and 2026
2,634,272	4.2	

(c) Equity-based compensation

During the three and six months ended June 30, 2023, the Company recognized \$205,341 and \$393,172 (three and six months ended June 30, 2022 – \$76,330 and \$242,349), respectively, of equity-based compensation related to stock options and RSUs. The remaining unrecognized fair value at June 30, 2023 is \$833,637.

13. PER SHARE AMOUNTS

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Net income (loss)	\$ (2,215,440)	\$ 1,149,329	\$ (4,672,781)	\$ 427,533
Convertible debt interest and accretion (Note 16)	–	305,217	–	584,710
Adjusted net income (loss)	(2,215,440)	1,454,546	(4,672,781)	1,012,243
Weighted average number of shares outstanding				
Basic	113,805,259	92,365,128	112,614,265	85,251,467
Effect of in-the-money convertible notes, warrants and stock options	–	17,141,590	–	17,725,631
Diluted	113,805,259	109,506,718	112,614,265	102,977,098
Net income (loss) per share				
Basic	\$ (0.02)	\$ 0.01	\$ (0.04)	\$ 0.01
Diluted	\$ (0.02)	\$ 0.01	\$ (0.04)	\$ 0.01

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

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.



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

14. REVENUES AND SEGMENT REPORTING

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

Gross revenue by geographical area is summarized as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Canada	\$ 36,450	\$ 3,021	\$ 65,169	\$ 5,883
U.S.	2,682,447	3,341,496	5,890,421	5,869,377
	\$ 2,718,897	\$ 3,344,517	\$ 5,955,590	\$ 5,875,260

During the three and six months ended June 30, 2023 and 2022, the Company derived gross revenues from the following direct customers and direct-to-consumer e-commerce platforms, each with gross revenues of 10% or greater.

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Customer 1	11%	16%	11%	17%
Customer 2	12%	10%	12%	12%
Customer 3	16%	21%	16%	28%
Customer 4	17%	–	15%	–
	56%	47%	54%	57%

Net revenues by sales channel are summarized as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Wholesale	\$ 794,694	\$ 1,442,331	\$ 1,903,518	\$ 3,080,672
Non-traditional	1,170	116,270	1,170	168,326
E-commerce	767,394	922,328	2,097,414	1,232,455
	\$ 1,563,258	\$ 2,480,929	\$ 4,002,102	\$ 4,481,453



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

15. SELLING, GENERAL AND ADMINISTRATIVE

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Advertising and marketing	\$ 715,079	\$ 1,242,750	\$ 1,771,287	\$ 1,882,034
Payroll and recruiting	876,160	905,132	1,727,074	1,764,433
Professional fees	685,283	391,975	906,989	1,576,609
Outbound freight	211,371	319,126	520,120	664,462
General office expenses	107,582	233,159	220,353	427,568
	\$ 2,595,475	\$ 3,092,142	\$ 5,145,823	\$ 6,315,106

16. INTEREST AND ACCRETION

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Short-term debt interest (Note 7)	\$ 36,636	\$ 31,219	\$ 84,789	\$ 58,890
Convertible debt interest (Note 8)	136,945	18,916	200,985	37,786
Government loans interest	1,406	1,402	2,812	2,789
Imputed interest on lease liability (Note 9)	11,081	13,492	22,796	27,542
Accretion of short-term debt (Note 7)	10,938	33,332	21,875	66,611
Accretion of convertible debt (Note 8)	122,214	286,301	162,706	546,924
Accretion of government loans	704	879	1,378	1,720
Other interest, net of minor interest income	6,233	(1,719)	7,665	(2,047)
	\$ 326,157	\$ 383,822	\$ 505,006	\$ 740,215

17. RELATED PARTY TRANSACTIONS

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

- (a) As at June 30, 2023 and December 31, 2022, due to related parties was comprised of \$5,952 of reimbursable corporate expenses.
- (b) During the three and six months ended June 30, 2023, the Company incurred \$18,000 and \$36,000 (three and six months ended June 30, 2022 – \$25,757 and \$43,299), respectively, of consulting fees charged by the sibling of a founding member. As at June 30, 2023, accounts payable and accrued liabilities included \$61,000 (December 31, 2022 – \$30,000) due to this related party.
- (c) An individual who is an officer and director of the Company is a Lender under the Bridge Loans for a loan of \$10,000 (CAD \$13,254) (Note 7(d)).



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

18. RISK MANAGEMENT

(a) 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.

The Company's liabilities as at June 30, 2023 include obligations relating to convertible debt (Note 8) with an aggregate face value of \$5,451,651 (CAD \$7,170,200) that mature in 2025 and 2026. On the maturity dates, the Company has the option to make a cash settlement offer to the debenture holders should it have sufficient cash and if the Company considers such payment to be in the best interests of the Company taking into account the Company's liquidity risk management strategy, or to convert the principal amount of 2022 Debentures into units at CAD \$0.55 per unit and the principal amount of the 2023 \$0.50 Debentures and 2023 \$0.42 Debentures into units at the Principal Conversion Price per unit.

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

	Carrying amount \$	Less than 1 year \$	1 to 2 Years \$	3 to 5 Years \$	5 years + \$	Total contractual amount \$
As at June 30, 2023						
Accounts payable and accrued liabilities	5,188,552	5,188,552	–	–	–	5,188,552
Short-term debt (Note 7)	1,413,570	1,413,570	–	–	–	1,413,570
Convertible debt (Note 8)	3,930,625	305,795	–	5,415,651	–	5,721,446
Lease liability (Note 9)	426,114	74,645	151,321	277,306	–	503,272
Government loan	26,143	–	–	8,360	141,640	150,000
Due to related parties (Note 17)	5,952	5,952	–	–	–	5,952
	10,990,956	6,988,514	151,321	5,701,317	141,640	12,982,792

(b) Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company is exposed to foreign currency risk on the following USD equivalent of financial instruments denominated in CAD:

		June 30 2023		December 31 2022
Cash	\$	280,303	\$	117,892
Trade accounts receivable		28,225		36,286
Accounts payable and accrued liabilities		(856,880)		(859,875)
Short-term debt		(371,096)		–
Convertible debt		(3,930,625)		(691,412)
Net monetary liabilities	\$	(4,850,073)	\$	(1,397,109)



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

Assuming all other variables remain constant, a fluctuation of +/- 1% in the Bank of Canada CAD to USD exchange rate would increase or decrease net loss for the six months ended June 30, 2023 by approximately \$485,000.

To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

19. SUBSEQUENT EVENTS

Subsequent to June 30, 2023, the Company completed the following transactions:

- Settled ten outstanding debts for a total amount of \$243,297 and CAD \$7,560 (for a combined amount of approximately \$249,030 (CAD \$334,551)) through the issuance of 711,810 to the creditors at a deemed price of CAD \$0.47 per SVS. These SVS bear a statutory four-month hold period from the date of issuance in accordance with applicable securities legislation and will also be subject to restrictions on transfer and will be released from such restrictions in tranches of 15% on the dates that are six months, seven months, eight months, nine months, 10 months and 11 months from the date of issuance, and a remaining tranche of 10% on the date that is 12 months from the date of issuance;
- Paid \$25,000 pursuant to the settlement agreement disclosed in Note 7(a);
- Repaid a \$129,990 (CAD \$175,000) promissory note plus accrued interest (Note 7(c));
- Obtained \$87,640 (CAD \$115,911) of additional Bridge Loan proceeds and, subject to TSXV approval, will issue 340,915 of related warrants exercisable at CAD \$0.34 per SVS (Note 7(d));
- Issued 90,909 SVS upon the conversion of \$37,765 (CAD \$50,000) principal amount of 2022 Debentures (Note 8(a)(i)) and, subject to TSXV approval, will issue 24,367 SVS as settlement of \$4,693 (CAD \$6,214) of bonus interest and unpaid accrued interest;
- Raised gross proceeds of \$248,294 (CAD \$328,710) upon the issuance of 2023 \$0.42 Debentures (Note 8(a)(iii));
- Issued 901,766 SVS at an Interest Conversion Price of CAD\$0.281 as payment of \$191,390 (CAD \$253,397) of interest owing on convertible debt (Note 8(a)(i) and (ii)) as at June 30, 2023;
- Proposes to issue 690,209 SVS upon the vesting of 690,209 RSUs (Note 12(b)), subject to TSXV approval;
- Acquired certain Argo Tea® assets from Golden Fleece including master supply agreements with Foodservice partners, licenses for eight cafes managed by contract Foodservice providers at major U.S. universities, finished goods inventory and intellectual property. As consideration for the assets, the Company assumed a \$270,000 note payable obligation owed to creditors of Golden Fleece payable in four annual graduated installments; and
- Entered into a loan agreement (the "Loan") in connection with the above asset acquisition with an entity related to Argo Tea® (the "Lender") for up to \$1,000,000 of loan proceeds. Under the terms of the Loan, subject to TSXV approval, the Company intends to issue to the Lender 1,547,714 warrants exercisable at CAD \$0.35 CAD SVS for a period of 36 months following the date of issuance. The Loan bears interest at 11% per annum and compounded monthly. Loan proceeds are repayable on the date that is 12 months from the closing of each tranche advanced. The initial \$400,000 tranche is due on August 22, 2024. The second tranche of the Loan, if advanced, will be for a minimum of \$300,000 (and up to a total of \$600,000). Upon full funding of the \$1,000,000 Loan, the Lender will receive a revenue share percentage on net sales derived directly from the Argo Tea® assets and intellectual property.



THE PLANTING HOPE COMPANY INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited)
(Stated in United States dollars)

The revenue share will begin in 2024 on a sliding scale of 5% in 2024; 4% in 2025 and 3% in 2026 and beyond for up to 30 years with a buyout clause.