

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



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

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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 nine months ended September 30, 2023.



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

As at	Note	September 30 2023	December 31 2022
		(Unaudited)	(Audited)
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 154,783	\$ 236,532
Trade accounts receivable	4	664,900	1,003,526
Inventories	5	1,393,331	2,604,295
Prepaid expenses and deposits		421,900	229,958
<b>Total current assets</b>		<b>2,634,914</b>	<b>4,074,311</b>
<b>Non-current assets</b>			
Goodwill	3	2,243,283	2,243,283
Intangible assets	6	2,556,050	2,973,403
Right-of-use assets	10	360,222	447,783
Property and equipment		69,553	102,092
<b>Total assets</b>		<b>\$ 7,864,022</b>	<b>\$ 9,840,872</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 5,245,363	\$ 4,100,413
Short-term debt	7	1,711,774	2,900,290
Convertible debt	8	239,639	144,913
Current portion of promissory note	9	32,482	–
Current portion of lease liability	10	116,565	105,823
<b>Total current liabilities</b>		<b>7,345,823</b>	<b>7,257,391</b>
<b>Non-current liabilities</b>			
Convertible debt	8	3,859,195	546,499
Promissory note	9	174,032	–
Lease liability	10	282,896	371,661
Government loans		25,936	26,547
<b>Total liabilities</b>		<b>11,687,882</b>	<b>8,202,098</b>
<b>Shareholders' (deficit) equity</b>			
Share capital	11	35,510,222	34,307,944
Warrant reserve	12	2,651,571	3,053,709
Contributed surplus		1,320,221	751,419
Equity component of convertible debt	8	1,482,852	924,099
Accumulated other comprehensive income		156,462	162,122
Accumulated deficit		(44,945,188)	(37,560,519)
<b>Total shareholders' (deficit) equity</b>		<b>(3,823,860)</b>	<b>1,638,774</b>
<b>Total liabilities and shareholders' (deficit) equity</b>		<b>\$ 7,864,022</b>	<b>\$ 9,840,872</b>

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 September 30		For the nine months ended September 30	
		2023	2022	2023	2022
<b>Revenues</b>	15	\$ 1,922,155	\$ 3,673,626	\$ 7,877,745	\$ 9,548,886
<b>Trade spend</b>		<b>(307,312)</b>	(828,978)	<b>(1,924,792)</b>	(2,082,185)
<b>Spoilage and cash discounts</b>		<b>(22,862)</b>	(160,224)	<b>(358,870)</b>	(300,824)
<b>Net revenues</b>	15	<b>1,591,981</b>	2,684,424	<b>5,594,083</b>	7,165,877
<b>Cost of goods sold</b>		<b>(1,161,099)</b>	(2,340,888)	<b>(4,128,708)</b>	(5,118,658)
<b>Gross profit</b>		<b>430,882</b>	343,536	<b>1,465,375</b>	2,047,219
<b>Expenses</b>					
Selling, general and administrative	16	2,454,508	2,808,033	7,600,331	9,123,139
Interest and accretion	17	332,187	450,376	837,193	1,190,591
Equity-based compensation	13	175,630	398,147	568,802	640,496
Discontinued products	5	116,816	–	324,761	–
Amortization	6	140,646	135,227	417,353	380,695
Depreciation	10	42,868	38,630	128,937	110,982
<b>Total expenses</b>		<b>3,262,655</b>	3,830,413	<b>9,877,377</b>	11,445,903
<b>Loss before other income (expense)</b>		<b>(2,831,773)</b>	(3,486,877)	<b>(8,412,002)</b>	(9,398,684)
<b>Other income (expense)</b>					
Change in value of financial instruments		–	(1,663,983)	–	4,668,685
Loss on repayment of promissory notes	7	–	–	–	(30,821)
Gain on short-term debt settlement	7	–	–	978,426	–
Loss on convertible debt conversion	8	(2,739)	–	(5,460)	–
Gain on accounts payable settlement	11	68,994	–	68,994	–
Foreign exchange		53,630	164,535	(14,627)	202,028
<b>Total other income (expense)</b>		<b>119,885</b>	(1,499,448)	<b>1,027,333</b>	4,839,892
<b>Loss before tax</b>		<b>(2,711,888)</b>	(4,986,325)	<b>(7,384,669)</b>	(4,558,792)
<b>Current tax</b>		–	(9,332)	–	(9,332)
<b>Net loss</b>		<b>(2,711,888)</b>	(4,995,657)	<b>(7,384,669)</b>	(4,568,124)
<b>Currency translation adjustment</b>		<b>37,034</b>	180,625	<b>(5,660)</b>	322,158
<b>Comprehensive loss</b>		<b>\$ (2,674,854)</b>	\$ (4,815,032)	<b>\$ (7,390,326)</b>	\$ (4,245,966)
<b>Loss per share – basic and diluted</b>	14	<b>\$ (0.02)</b>	\$ (0.05)	<b>\$ (0.07)</b>	\$ (0.05)

*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 nine months ended September 30	Note	2023	2022
<b>Share capital</b>			
	11		
Balance, beginning of period		\$ 34,307,944	\$ 22,636,830
Bought-deal public offering		–	6,287,589
Exercise of warrants		762,510	134,295
Convertible debt conversion		38,205	–
Convertible debt interest settlement		230,050	–
Accounts payable settlement		183,762	–
Share issue costs		(12,249)	(788,122)
Balance, end of period		35,510,222	28,270,592
<b>Warrant reserve</b>			
	12		
Balance, beginning of period		3,053,709	2,819,127
Warrant issue		36,885	–
Exercise of warrants		(439,023)	(75,283)
Balance, end of period		2,651,571	2,743,844
<b>Contributed surplus</b>			
Balance, beginning of period		751,419	20,921
Equity-based compensation	13	568,802	640,496
Balance, end of period		1,320,221	661,417
<b>Equity component of convertible debt</b>			
	8		
Balance, beginning of period		924,099	–
Issuance of convertible debt		608,416	–
Convertible debt conversion		(49,663)	–
Balance, end of period		1,482,852	–
<b>Accumulated other comprehensive income (loss)</b>			
Balance, beginning of period		162,122	(8,871)
Currency translation adjustment		(5,660)	322,158
Balance, end of period		156,462	313,287
<b>Accumulated deficit</b>			
Balance, beginning of period		(37,560,519)	(29,754,753)
Net loss		(7,384,669)	(4,568,124)
Balance, end of period		(44,945,188)	(34,322,877)
<b>Total shareholders' (deficit) equity</b>		<b>\$ (3,823,860)</b>	<b>\$ (2,333,737)</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 nine months ended September 30	Notes	2023	2022
<b>Operating activities</b>			
<b>Net loss for the period</b>		\$ (7,384,669)	\$ (4,568,124)
Add back (deduct) non-cash items:			
Amortization	6	417,353	380,695
Depreciation	9	128,937	110,982
Equity-based compensation	13	568,802	640,496
Interest and accretion	17	837,193	1,190,591
Change in fair value of financial instruments		-	(4,668,685)
Loss on repayment of promissory notes	7	-	30,821
Gain on short-term debt settlement	7	(978,426)	-
Loss on convertible debt conversion	8	5,460	-
Gain on settlement of accounts payable	11	(68,994)	-
Change in non-cash working capital:			
Trade accounts receivable		326,390	(119,150)
Inventories		1,485,140	(867,640)
Prepaid expenses and deposits		(191,942)	(81,735)
Accounts payable and accrued liabilities		1,069,623	1,695,734
<b>Cash flows used in operating activities</b>		<b>(3,785,133)</b>	<b>(6,256,015)</b>
<b>Investing activities</b>			
Acquisition	3	-	(4,000,000)
Property and equipment purchases		(8,837)	(50,491)
<b>Cash used in investing activities</b>		<b>(8,837)</b>	<b>(4,050,491)</b>
<b>Financing activities:</b>			
Proceeds from short-term debt	7	2,259,908	1,807,000
Repayment of short-term debt	7	(2,465,663)	(2,000,000)
Proceeds from convertible debt, net of issue costs	8	3,631,295	-
Lease payments	10	(111,249)	(109,134)
Government loan payments		(6,943)	-
Share issuance proceeds, net of issue costs	11	311,238	5,558,479
Repayment of due to related parties		-	(53,972)
Interest paid		(166,781)	(189,793)
<b>Cash provided by financing activities</b>		<b>3,451,805</b>	<b>5,012,580</b>
<b>Decrease in cash</b>		<b>(342,165)</b>	<b>(5,293,926)</b>
<b>Cash effects of currency translation</b>		<b>260,416</b>	<b>(101,478)</b>
<b>Cash, beginning of period</b>		<b>236,532</b>	<b>5,810,961</b>
<b>Cash, end of period</b>		<b>\$ 154,783</b>	<b>\$ 415,557</b>

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

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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® business assets from Better Foods, Inc. and on August 21, 2023, the Company closed the acquisition of Argo Tea® business assets from Golden Fleece Beverages, 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 nine months ended September 30, 2023, the Company reported a net loss of \$7,384,669 (nine months ended September 30, 2022 –\$4,568,124) and \$3,785,133 of cash flows used by operating activities (nine months ended September 30, 2022 – \$6,256,015). As at September 30, 2023, the Company had an accumulated deficit of \$44,945,188 (December 31, 2022 – \$37,560,519) and a working capital deficit of \$4,710,909 (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 September 30, 2023, the Company announced a private placement of convertible note units, obtained gross proceeds of \$620,000 from the sale of future receipts and issued promissory notes for gross proceeds of \$54,200. See Note 20.

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.



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**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 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 September 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 November 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. ACQUISITIONS**

(a) Argo Tea® Acquisition

On August 21, 2023, the Company closed the arm’s-length acquisition of Argo Tea® business assets (the “Argo Tea® Acquisition”) from Golden Fleece Beverages, Inc. (“Golden Fleece”). The net business assets acquired include master supply agreements with Foodservice partners, licenses for eight cafes managed by contract Foodservice providers at major U.S. universities, intellectual property, finished goods inventory and trade accounts receivable as well as the assumption of a \$75,000 liability. As consideration for the net business assets, the Company issued a \$270,000 unsecured, non-interest bearing promissory note to Golden Fleece payable in four annual graduated installments (Note 9).

The Company met the optional concentration of fair value test under IFRS 3 Business Combinations as substantially all of the fair value of the gross assets acquired (excluding trade accounts receivable) is concentrated in inventories. As a result, the Argo Tea® Acquisition was accounted for as an asset acquisition as summarized below:

**Consideration:**

Promissory note (Note 9)	\$ 202,900
<hr/>	
<b>Value of net assets:</b>	
Trade accounts receivable	\$ 3,724
Inventories	274,176
Accounts payable and accrued liabilities	(75,000)
	<hr/>
	\$ 202,900





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The preliminary estimates of the fair value of net assets acquired for the optional concentration of fair value test 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.

(b) RightRice® Acquisition

On January 14, 2022, the Company closed the arm's-length acquisition of RightRice® business assets (the "RightRice® 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 RightRice® 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

**4. TRADE ACCOUNTS RECEIVABLE**

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

	September 30 2023	December 31 2022
Less than 60 days overdue	\$ 613,094	\$ 816,610
Greater than 60 days overdue	54,828	202,197
	667,922	1,018,807
Less allowance for expected credit losses	(3,022)	(15,281)
Trade accounts receivable	\$ 664,900	\$ 1,003,526



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**5. INVENTORIES**

	September 30 2023	December 31 2022
Ingredients	\$ 257,853	\$ 400,746
Packaging	450,849	691,416
Finished goods	1,135,805	1,614,774
Reserve for obsolescence	(126,415)	(102,641)
Discontinued products	(324,761)	–
	<b>\$ 1,393,331</b>	<b>\$ 2,604,295</b>

During the nine months ended September 30, 2023, \$3,757,181 (nine months ended September 30, 2022 – \$4,850,065) of inventory was expensed to cost of goods sold.

**6. INTANGIBLE ASSETS**

	Customer relationships	Brand name	Technology	Total
<b>Cost</b>				
Balance, December 31, 2022				
and September 30, 2023	\$ 1,440,000	\$ 1,510,000	\$ 560,000	\$ 3,510,000
<b>Accumulated amortization</b>				
Balance, December 31, 2022	\$ (138,477)	\$ (290,416)	\$ (107,704)	\$ (536,597)
Amortization expense	(107,704)	(225,879)	(83,770)	(417,353)
Balance, September 30, 2023	\$ (246,181)	\$ (516,295)	\$ (191,474)	\$ (953,950)
<b>Net carrying amount</b>				
December 31, 2022	\$ 1,301,523	\$ 1,219,584	\$ 452,296	\$ 2,973,403
September 30, 2023	\$ 1,193,819	\$ 993,705	\$ 368,526	\$ 2,556,050

**7. SHORT-TERM DEBT**

	September 30 2023	December 31 2022
Promissory notes (a)	\$ 63,292	\$ 1,093,290
Credit facility (b)	895,540	1,807,000
Promissory notes (c)	427,029	–
Bridge loans (d)	325,913	–
	<b>\$ 1,711,774</b>	<b>\$ 2,900,290</b>



**THE PLANTING HOPE COMPANY INC.**  
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A continuity of short-term debt is summarized in the following table:

Balance, December 31, 2022	\$	2,900,290
Cash proceeds		2,259,908
Accrued interest		123,102
Interest paid		(108,441)
Cash repayment		(2,465,663)
Debt settlement (a)		(994,386)
Foreign exchange		(3,036)
<b>Balance, September 30, 2023</b>	<b>\$</b>	<b>1,711,774</b>

During the nine months ended September 30, 2023, the Company recognized \$123,102 (nine months ended September 30, 2022 – \$131,043) of interest expense on short-term debt (Note 17).

(a) Promissory notes

As part of the consideration for the RightRice® 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 RightRice® 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 \$36,708 was paid during the nine months ended September 30, 2023 and the remaining \$63,292 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 nine months ended September 30, 2023, the Company recognized \$1,096 (nine months ended September 30, 2022 – \$52,739) 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 \$4.6 million as at September 30, 2023 and is in place for 18 months to November 4, 2023 (Note 20(e)). 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



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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 September 30, 2023, the balance drawn on the Credit Facility was \$895,540 (December 31, 2022 – \$1,807,000). During the nine months ended September 30, 2023, the Company recognized \$105,859 (nine months ended September 30, 2022 – \$56,428) of interest expense and \$32,812 (nine months ended September 30, 2022 – \$21,876) of facility fee amortization (Note 17).

(c) Promissory notes

- 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 bore interest at 10% per annum and matured on July 17, 2023. The unpaid principal amount of the Notes and accrued interest was 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 was nominal and therefore not accounted for.

During the nine months ended September 30, 2023, the Company recognized \$2,582 of interest expense. The Note and accrued interest was repaid in cash on July 28, 2023.

- On August 21, 2023, the Company entered into a bridge loan agreement (the "Loan") in connection with the Argo Tea® Acquisition (Note 3(b)) with a third-party (the "Lender") for up to \$1,000,000 of loan proceeds. The Loan is secured by the assets of PHB, for which such security is subordinated to the credit facility (Note 7 (b)).

The initial \$400,000 tranche was advanced pursuant to a promissory note on August 21, 2023, is due on August 18, 2024, and bears interest at 11% per annum on the basis of a 360-day year. 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. In the event that the warrants are not issued on or before October 20, 2023, the principal amount of the promissory note on which interest is calculated shall increase to \$600,000 (without any additional funds being received by the Company) until the date that the warrants are issued. As at September 30, 2023 and the approval date of these condensed interim consolidated financial statements, these warrants had not yet been issued.

The second tranche of the Loan, if advanced at the Lender's discretion, must be advanced on or before October 31, 2023 for a minimum of \$300,000 (and up to a total of \$600,000). If the full \$1,000,000 of the Loan is advanced to the Company, the Lender will receive a revenue share percentage on net sales derived directly from the Argo Tea® business assets. 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. No additional funds were advanced under the second tranche.

During the nine months ended September 30, 2023, the Company recognized \$4,822 of interest expense.

- On September 26, 2023, the Company executed a promissory note agreement (the "Note") with an unrelated individual for proceeds of \$22,206 (CAD \$30,000). The Note is convertible at the option of the holder into equity securities issued by the Company in the next equity financing available to Canadian investors from which the Company receives aggregate gross proceeds of not less than \$10,000,000. The Note is unsecured, bears interest at 8% per annum and matures on November 26, 2023.



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During the nine months ended September 30, 2023, the Company recognized \$20 of interest expense.

(d) Bridge loans

Between June 8 and July 14, 2023, the Company received an aggregate of \$322,920 (CAD \$428,899) 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 are unsecured, 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 1,261,468 warrants in respect of CAD \$428,899 of Bridge Loan proceeds. Warrants will be exercisable at CAD \$0.34 per SVS for a term of one year from the date of issuance. As at September 30, 2023 and the approval date of these condensed interim consolidated financial statements, these warrants had not yet been issued.

During the nine months ended September 30, 2023, the Company recognized \$8,769 of interest expense on the Bridge Loans.

**8. CONVERTIBLE DEBT**

	September 30 2023	December 31 2022
Convertible debentures (a)	\$ 3,989,530	\$ 589,422
Convertible note interest (b)	109,304	101,990
	4,098,834	691,412
Current portion	(239,639)	(144,913)
Long-term portion	\$ 3,859,195	\$ 546,499

During the nine months ended September 30, 2023, the Company recognized \$334,602 (nine months ended September 30, 2022 – \$56,493) of interest expense and \$286,037 (nine months ended September 30, 2022 – \$856,188) of accretion on convertible debt (Note 17).



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(a) Convertible debentures

A continuity of convertible debentures is as follows:

	Principal amount (CAD)	Debt portion (USD)	Equity portion (USD)
<b>2022 Convertible Debentures (i)</b>			
Principal amount	2,223,750		
Issue costs	(234,389)		
<b>Balance, December 31, 2022</b>	<b>\$ 1,989,361</b>	<b>\$ 589,422</b>	<b>\$ 924,099</b>
<b>2023 Convertible Debentures (ii) and (iii)</b>			
Principal amount	5,064,310	3,093,146	622,644
Issue costs	(115,111)	(70,267)	(14,228)
	4,949,199	3,022,879	608,416
2022 Debentures converted	(100,000)	(18,463)	(49,663)
Accretion	–	286,037	–
Accrued interest	–	318,147	–
Interest paid	–	(7,764)	–
Interest converted	–	(221,122)	–
Foreign exchange	–	20,394	–
<b>Balance, September 30, 2023</b>	<b>\$ 6,838,560</b>	<b>\$ 3,989,530</b>	<b>\$ 1,482,852</b>

(i) 2022 Convertible Debentures

As at December 31, 2022, the Company had CAD \$2,223,750 principal amount of unsecured, non-transferrable 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.

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



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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.

▪ Conversion of principal amounts

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 July 14, 2023, the Company issued 90,909 SVS upon the conversion of \$37,930 (CAD \$50,000) principal amount of 2022 Debentures at which time the Company recognized a \$2,739 loss on convertible debt conversion.

▪ Conversion of interest

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 converted on May 16, 2023 and \$32,308 (CAD \$43,158) of other unpaid accrued interest at an Interest Conversion Price of CAD \$0.375.

On August 23, 2023, the Company issued 901,766 SVS as payment of \$186,982 (CAD \$253,397) of interest owing on 2022 Debentures at an Interest Conversion Price of CAD \$0.28.

On September 15, 2023, the Company issued 24,367 SVS as settlement of \$4,594 (CAD \$6,214) of bonus interest and unpaid accrued interest on the 2022 Debentures converted on July 14, 2023 at an Interest Conversion Price of CAD \$0.255.

The September 30, 2023 face value of the 2022 Debentures is \$1,759,213 (CAD \$2,378,600) representing the \$1,570,726 (CAD \$2,123,750) principal amount plus \$188,487 (CAD \$254,850) of bonus interest.

During the nine months ended September 30, 2023, the Company recognized \$142,414 (nine months ended September 30, 2022 – \$nil) of interest expense on the 2022 Debentures, paid \$7,764 of accrued interest and converted an aggregate of \$129,590 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





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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 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 September 30, 2023 face value of the 2023 \$0.50 Debentures is \$2,961,802 (CAD \$4,004,600) representing the principal amount. During the nine months ended September 30, 2023, the Company recognized \$167,513 of interest expense on the 2023 \$0.50 Debentures.

(iii) 2023 \$0.42 Convertible Debentures

On August 23, 2023, the Company completed the private placement of \$791,111 (CAD \$1,059,710) 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





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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 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 \$647,958 (CAD \$865,710) based on the present value of expected cash flows discounted at 19% and the \$143,153 (CAD \$194,000) 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 \$19,614 (CAD \$26,273) 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 1.5% per month. Accretion expense is included in accretion and interest expense in the consolidated statement of loss and comprehensive loss.

The September 30, 2023 face value of the 2023 \$0.42 Debentures is \$783,762 (CAD \$1,059,710) representing the principal amount. During the nine months ended September 30, 2023, the Company recognized \$8,220 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 nine months ended September 30, 2023, the Company recognized \$7,173 of interest on the accrued and unpaid interest based on a simple rate of 10% per annum (nine months ended September 30, 2022 – \$56,493 of interest on Notes).

As at September 30, 2023, the aggregate balance of accrued and unpaid interest due in respect of the Notes was \$109,304.



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**9. PROMISSORY NOTE**

Pursuant to the Argo Tea® Acquisition completed on August 21, 2023 (Note 3(a)), the Company issued a \$270,000 unsecured, non-interest bearing promissory note to Golden Fleece payable in graduated installments of \$60,000 on November 30, 2023, \$65,000 on November 30, 2024, \$70,000 on November 30, 2025 and \$75,000 on November 30, 2026.

A continuity of the promissory note is as follows:

Issued August 21, 2023	\$	270,000
Effect of discounted cash flows at 17.5%		(67,100)
Fair value		202,900
Accretion (Note 17)		3,614
Balance, September 30, 2023		206,514
Current portion		(32,482)
Long-term portion	\$	174,032

**10. 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	–	(87,561)	(87,561)
Balance, September 30, 2023	\$ 583,786	\$ (223,564)	\$ 360,222

During the nine months ended September 30, 2023, the Company recognized \$128,937 of depreciation expense comprised of \$87,561 on right-of-use assets and \$41,376 on other property and equipment (nine months ended September 30, 2022 – \$110,982 comprised of \$87,561 on right-of-use assets and \$23,421 on other property and equipment).

Lease liability

Balance, December 31, 2022	\$	477,484
Lease payments		(111,249)
Imputed interest		33,226
Balance, September 30, 2023		399,461
Current portion		(116,565)
Non-current portion	\$	282,896

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

	2023 (Remainder)	2024	2025	2026	Total
Annual lease payments	37,562	151,321	150,126	127,180	466,189



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**11. 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 (i)	1,758,200		762,510
Conversion of 2022 Debentures (ii)	181,818		38,205
Conversion of 2022 Debenture interest (Note 8(a)(i))	1,063,182		230,050
Settlement of accounts payable (iii)	711,810		183,762
Share issue costs	-		(12,249)
<b>Balance, September 30, 2023</b>	<b>115,683,981</b>	<b>\$</b>	<b>35,510,222</b>

(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) The Company issued 181,818 units upon the conversion of \$75,090 (CAD \$100,000) 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 181,818 warrants was determined to be \$36,885 (CAD \$49,240) using the Black-Scholes model based on the following assumptions:

Expected volatility	139% - 140%	Expected dividend yield	nil
Expected life	2.3 - 2.4 years	Risk-free interest rate	3.95% - 4.64%
Share price	CAD \$0.35 - \$0.50	Fair value per option	CAD \$0.21 - \$0.34

(iii) On July 19, 2023, the Company settled ten outstanding debts for a total amount of \$243,297 and CAD \$7,560 (for a combined amount of approximately \$248,922 (CAD \$334,551)) through the issuance of 711,810 SVS 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.

The fair value of the 711,810 SVS was determined to be \$183,762 (CAD \$242,015) based on the CAD \$0.34 market price of the Company's SVS on the date of settlement. As a result, the Company recognized a \$68,994 gain on settlement of accounts payable in the September 30, 2023 consolidated statement of loss and comprehensive loss.



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(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, September 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

**12. 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 11(a)(i))	(0.25)	(1,758,200)	(439,023)
Issued (Note 11(a)(ii))	0.80	181,818	36,885
Balance, September 30, 2022	\$ 0.39	11,640,515	\$ 2,651,571

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

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

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
Exercisable into SVS			
\$ 0.80	2,182,090	2.2	2,182,090
0.40	2,516,625	1.2	2,516,625
0.25	6,941,800	3.1	6,941,800
\$ 0.36	11,640,515	2.5	11,640,515
Exercisable into MVS			
\$ 1.00	180,000	2.9	—



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**13. 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)	(494,937)
<b>Balance, September 30, 2023</b>	<b>\$ 0.60</b>	<b>2,216,226</b>

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 September 30, 2023 is summarized below:

Exercise price (CAD)	Number outstanding	Weighted average life remaining (years)	Number exercisable
\$ 0.44	601,676	3.0	335,419
0.45	135,000	3.8	45,000
0.62	564,550	4.5	59,416
0.65	585,000	3.2	175,500
0.81	100,000	3.5	33,333
0.87	230,000	1.3	220,000
<b>\$ 0.60</b>	<b>2,216,226</b>	<b>3.4</b>	<b>868,668</b>

(b) Restricted share units ("RSUs")

	Number outstanding	Number exercisable
Balance, December 31, 2022	2,516,434	–
Granted	645,362	–
Forfeited	(527,524)	–
<b>Balance, September 30, 2023</b>	<b>2,634,272</b>	<b>–</b>

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



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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 September 30, 2023 is summarized below:

Number outstanding	Weighted average life remaining (years)	Vesting
2,070,630	3.8	One-third on July 29, 2023, 2024 and 2025
563,642	4.5	One-third on April 14, 2024, 2025 and 2026
<b>2,634,272</b>	<b>4.0</b>	

(c) **Equity-based compensation**

During the three and nine months ended September 30, 2023, the Company recognized \$175,630 and \$568,802 (three and nine months ended September 30, 2022 – \$398,147 and \$640,496), respectively, of equity-based compensation related to stock options and RSUs. The remaining unrecognized fair value at September 30, 2023 is \$642,090.

**14. PER SHARE AMOUNTS**

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Net loss	\$ (2,711,888)	\$ (4,995,657)	\$ (7,384,669)	\$ (4,568,124)
Weighted average number of shares outstanding				
Basic and diluted	114,973,451	92,570,563	113,371,558	87,839,973
Net loss per share				
Basic and diluted	\$ (0.02)	\$ (0.05)	\$ (0.07)	\$ (0.05)

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

**15. 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 September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Canada	\$ 53,069	\$ 46,533	\$ 118,238	\$ 93,382
U.S.	1,869,086	3,627,093	7,759,507	9,455,504
	<b>\$ 1,922,155</b>	<b>\$ 3,673,626</b>	<b>\$ 7,877,745</b>	<b>\$ 9,548,886</b>



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During the three and nine months ended September 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.

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	2023	2022	2023	2022
Customer 1	18%	18%	14%	17%
Customer 2	13%	13%	11%	13%
Customer 3	20%	24%	16%	26%
Customer 4	17%	–	16%	–
	68%	55%	57%	56%

Net revenues by sales channel are summarized as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	2023	2022	2023	2022
Wholesale	\$ 717,640	\$ 1,664,505	\$ 2,621,158	\$ 4,758,943
Non-traditional	14,031	147,345	15,201	315,671
E-commerce	860,310	872,574	2,957,724	2,091,263
	\$ 1,591,981	\$ 2,684,424	\$ 5,594,083	\$ 7,165,877

**16. SELLING, GENERAL AND ADMINISTRATIVE**

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	2023	2022	2023	2022
Advertising and marketing	\$ 786,520	\$ 969,050	\$ 2,557,807	\$ 2,851,084
Payroll and recruiting	799,652	871,783	2,526,726	2,636,216
Professional fees	514,012	273,507	1,421,001	1,850,116
Outbound freight	256,291	436,851	776,411	1,101,313
General office expenses	98,033	256,842	318,386	684,410
	\$ 2,454,508	\$ 2,808,033	\$ 7,600,331	\$ 9,123,139



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**17. INTEREST AND ACCRETION**

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Short-term debt interest (Note 7)	\$ 38,313	\$ 72,153	\$ 123,102	\$ 131,043
Convertible debt interest (Note 8)	133,277	18,707	334,262	56,493
Government loans interest	1,406	1,418	4,218	4,207
Imputed interest on lease liability (Note 10)	10,430	12,919	33,226	40,461
Accretion of short-term debt (Note 7)	10,937	34,899	32,812	101,510
Accretion of convertible debt (Note 8)	123,331	309,264	286,037	856,188
Accretion of promissory note (Note 9)	3,614	–	3,614	–
Accretion of government loans	736	919	2,114	2,639
Other interest, net of minor interest income	10,143	97	17,808	(1,950)
	\$ 332,187	\$ 450,376	\$ 837,193	\$ 1,190,591

**18. RELATED PARTY TRANSACTIONS**

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

- (a) Included in accounts payable and accrued liabilities as at September 30, 2023 and December 31, 2022, is \$5,952 of reimbursable corporate expenses due to related parties.
- (b) During the three and nine months ended September 30, 2023, the Company incurred \$18,000 and \$54,000 (three and nine months ended September 30, 2022 – \$27,046 and \$70,345), respectively, of consulting fees charged by the sibling of a founding member. As at September 30, 2023, accounts payable and accrued liabilities included \$58,000 (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)) for which the related interest expense recognized in the consolidated statement of loss and comprehensive loss for the period is \$257. See Note 20(d).

**19. 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 September 30, 2023 include obligations relating to convertible debt (Note 8) with an aggregate face value of \$5,504,777 (CAD \$7,442,910) 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





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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:

As at September 30, 2023	Carrying amount \$	Less than 1 year \$	1 to 2 Years \$	3 to 5 Years \$	5 years + \$	Total contractual amount \$
Accounts payable and accrued liabilities	5,245,363	5,245,363	–	–	–	5,245,363
Short-term debt (Note 7)	1,711,774	1,711,774	–	–	–	1,711,774
Convertible debt (Note 8)	4,098,834	239,639	–	5,504,777	–	5,744,416
Promissory note (Note 9)	206,514	60,000	65,000	145,000	–	270,000
Lease liability (Note 10)	399,461	37,562	151,321	277,306	–	466,189
Government loan	25,936	–	–	8,360	141,640	150,000
	<b>11,687,882</b>	<b>7,294,338</b>	<b>216,321</b>	<b>5,935,443</b>	<b>141,640</b>	<b>13,587,742</b>

(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:

	September 30 2023	December 31 2022
Cash	\$ 3,629	\$ 117,892
Trade accounts receivable	31,917	36,286
Accounts payable and accrued liabilities	(905,546)	(859,875)
Short-term debt	(348,120)	–
Convertible debt	(4,098,834)	(691,412)
Net monetary liabilities	\$ (5,316,954)	\$ (1,397,109)

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 nine months ended September 30, 2023 by approximately \$531,700.

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

**20. SUBSEQUENT EVENTS**

- (a) On October 7, 2023, the Company announced a non-brokered private placement of convertible note units ("Units") for aggregate gross proceeds of up to \$5,000,000 available to U.S. and international investors outside of Canada. Each Unit shall be comprised of one 10% unsecured convertible note of the Company with a face value of \$1,000 (each, a "Note") and 1,925 SVS purchase warrants of the Company.

Each Note shall mature 36 months from the date of issue (the "Maturity Date") and will bear interest at 10% per annum on the basis of a 360-day year, payable annually in arrears commencing on March 31,



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2024. Interest may be paid, at the election of the Company, either in cash, subject to the prior approval of the TSXV, in SVS of the Company at a deemed price per SVS equal to the greater of (i) the 30-day trading volume weighted average price of the SVS for the 30-day trading period ended five days immediately prior to each interest payment date (“the 30-day VWAP”); (ii) CAD \$0.25; and (iii) the last closing price of the Company’s SVS on the TSXV immediately prior to the interest payment date (or such other minimum price prescribed by the TSXV).

Subject to the approval of the TSXV, at any time prior to the Maturity Date, the Company shall have the right, but not the obligation, to convert all or any part of the Notes into SVS at a conversion price per SVS equal to the greater of (i) the 30-day VWAP and (ii) CAD \$0.25.

Each warrant shall be exercisable into one SVS at an exercise price of CAD \$0.35 for 36 months from the date of issue which must occur on or before March 31, 2024. In the event the Company files a registration statement with the SEC or the 30-day VWAP exceeds CAD \$0.50 at any time for 30 consecutive trading days, the Company may, at any time thereafter, accelerate the expiry date of the warrants on no less than 10 business days’ notice to the warrant holders.

All amounts converted from USD to CAD under the terms of the Units shall be done using a foreign exchange rate equal to the Bank of Canada conversion rate of USD to CAD on the date that is five trading days immediately prior to each Note conversion date or interest payment date.

- (b) On October 13, 2023, the Company entered into an agreement for the Sale of Future Receipts pursuant to which the Company sold \$367,250 of future receipts for gross cash proceeds of \$250,000 less \$5,995 of fees. The buyer will collect a weekly amount of \$11,495 until the \$367,250 amount sold is collected. An individual who is an officer and director of the Company provided a personal guarantee under this agreement.
- (c) On October 27, 2023, the Company entered into an agreement for the Sale of Future Receipts pursuant to which the Company sold \$536,500 of future receipts for gross cash proceeds of \$370,000 less \$18,500 of fees. The buyer will collect a weekly amount of \$20,635 until the \$536,500 amount sold is collected. An individual who is an officer and director of the Company provided a personal guarantee under this agreement.
- (d) In October 2023, the Company executed promissory note agreements (the “Notes”) with an individual who is an officer and director of the Company for aggregate proceeds of \$50,000. The Notes are convertible, at the option of the holder, into equity securities issued by the Company in the next equity financing from which the Company receives aggregate gross proceeds of not less than \$10,000,000. The Notes are unsecured, bear interest at 8% per annum and mature six months from the date of issuance.
- (e) On November 6, 2023, the Company entered into an amended Credit Facility agreement (Note 7(b)) with CircleUp Credit Advisors LLC to extend the maturity date of the Credit Facility to February 4, 2023 and increase the simple interest rate to 15.25% per annum. The Company incurred a \$6,067 underwriting fee for the extension.