

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2022**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **000-56151**



**ONE WORLD PRODUCTS, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**61-1744826**

(I.R.S. Employer  
Identification No.)

**6605 Grand Montecito Pkwy, Suite 100,  
Las Vegas, Nevada 89149**

(Address of principal executive offices)

**89149**

(zip code)

**(800) 605-3210**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
N/A	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

The number of shares of registrant’s common stock outstanding as of November 11, 2022 was 67,202,907.


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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**ONE WORLD PRODUCTS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 68,621	\$ 119,678
Accounts receivable	31,096	19,880
Inventory	319,220	198,595
Other current assets	49,258	158,836
Total current assets	468,195	496,989
Other assets	180,521	147,194
Right-of-use assets	32,357	-
Security deposits	1,450,008	1,255,988
Fixed assets, net	996,283	1,003,013
Total Assets	\$ 3,127,364	\$ 2,903,184
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 739,195	\$ 480,146
Accrued expenses	813,314	457,762
Deferred revenues	35,340	30,164
Dividends payable	127,891	98,920
Current portion of lease liabilities	17,106	-
Convertible notes payable, net of \$412,673 of debt discounts at December 31, 2021	750,000	337,327
Notes payable, current maturities	154,455	119,274
Notes payable, related parties, current maturities	99,500	-
Total current liabilities	2,736,801	1,523,593
Long-term lease liability	15,703	-
Notes payable, long-term portion	700,000	-
Notes payable, related parties, long-term portion	200,000	200,000
Total Liabilities	3,652,504	1,723,593
Series A convertible preferred stock, \$0.001 par value, 500,000 shares authorized; 65,233 shares issued and outstanding	652,330	652,330
Series B convertible preferred stock, \$0.001 par value, 600,000 shares authorized; 262,168 and 238,501 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	3,932,520	3,577,515
<b>Stockholders' Equity (Deficit):</b>		
Preferred stock, \$0.001 par value, 9,200,000 shares authorized; no shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	-	-
Common stock, \$0.001 par value, 300,000,000 shares authorized; 67,202,907 and 65,599,565 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	67,203	65,600
Additional paid-in capital	17,092,375	16,843,656
Subscriptions payable, consisting of 262,066 shares at December 31, 2021	-	21,725
Accumulated other comprehensive loss	(57,541)	(64,347)
Accumulated (deficit)	(22,212,027)	(19,916,888)
Total Stockholders' Equity (Deficit)	(5,109,990)	(3,050,254)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 3,127,364	\$ 2,903,184

See accompanying notes to financial statements.

**ONE WORLD PRODUCTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues	\$ 33,373	\$ 7,845	\$ 76,384	\$ 73,450
Cost of goods sold	23,969	7,058	54,765	14,810
Gross profit	<u>9,404</u>	<u>787</u>	<u>21,619</u>	<u>58,640</u>
Operating expenses:				
General and administrative	378,910	358,382	1,148,100	1,466,954
Professional fees	95,946	153,484	380,801	679,141
Depreciation expense	9,883	6,939	34,540	29,937
Total operating expenses	<u>484,739</u>	<u>518,805</u>	<u>1,563,441</u>	<u>2,176,032</u>
Operating loss	<u>(475,335)</u>	<u>(518,018)</u>	<u>(1,541,822)</u>	<u>(2,117,392)</u>
Other income (expense):				
Sublease income	-	5,000	1,000	19,500
Loss on sale of fixed assets	(9,041)	(17,563)	(9,041)	(17,563)
Gain on early extinguishment of lease	20,148	-	20,148	-
Gain on early extinguishment of debt	-	-	121,372	-
Interest income	-	765	41	2,323
Interest expense	(529,915)	(137,863)	(886,837)	(347,958)
Total other expense	<u>(518,808)</u>	<u>(149,661)</u>	<u>(753,317)</u>	<u>(343,698)</u>
Net loss	\$ (994,143)	\$ (667,679)	\$ (2,295,139)	\$ (2,461,090)
Other comprehensive loss:				
Gain (loss) on foreign currency translation	\$ 2,334	\$ (5,500)	\$ 6,806	\$ (10,919)
Net other comprehensive loss	\$ (991,809)	\$ (673,179)	\$ (2,288,333)	\$ (2,472,009)
Series A convertible preferred stock dividends declared (\$0.60 per share)	(9,866)	(14,403)	(28,971)	(49,246)
Net loss attributable to common shareholders	<u>\$ (1,001,675)</u>	<u>\$ (687,582)</u>	<u>\$ (2,317,304)</u>	<u>\$ (2,521,255)</u>
Weighted average number of common shares outstanding - basic and diluted	66,080,317	61,662,287	65,850,852	59,712,489
Net loss per share - basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
Dividends declared per share of common stock	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

See accompanying notes to financial statements.

**ONE WORLD PHARMA, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
(Unaudited)

For the Three Months Ended September 30, 2021											
	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Subscriptions Payable	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Payable	Income (Loss)	Deficit	(Deficit)
Balance, June 30, 2021	95,233	\$ 952,330	205,169	\$ 3,077,535	61,915,983	\$ 61,916	\$ 15,715,598	\$ -	\$ (58,289)	\$ (17,925,737)	\$ (2,206,512)
Series B convertible preferred stock sold for cash to our CEO	-	-	33,333	499,995	-	-	-	-	-	-	-
Adjustment of common stock issued for services	-	-	-	-	(300,000)	(300)	(50,700)	-	-	-	(51,000)
Commitment shares issued pursuant to promissory note	-	-	-	-	-	-	-	150,062	-	-	150,062
Exercise of cashless options	-	-	-	-	60,000	60	(60)	-	-	-	-
Warrants issued as a debt discount	-	-	-	-	-	-	358,017	-	-	-	358,017
Amortization of common stock options issued for services	-	-	-	-	-	-	183,376	-	-	-	183,376
Series A convertible preferred stock dividends declared (\$0.60 per share)	-	-	-	-	-	-	(14,403)	-	-	-	(14,403)
Loss on foreign currency translation	-	-	-	-	-	-	-	-	(5,500)	-	(5,500)
Net loss	-	-	-	-	-	-	-	-	-	(667,679)	(667,679)
Balance, September 30, 2021	95,233	\$ 952,330	238,502	\$ 3,577,530	61,675,983	\$ 61,676	\$ 16,191,828	\$ 150,062	\$ (63,789)	\$ (18,593,416)	\$ (2,253,639)
For the Three Months Ended September 30, 2022											
	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Subscriptions Payable	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Payable	Income (Loss)	Deficit	(Deficit)
Balance, June 30, 2022	65,233	\$ 652,330	238,501	\$ 3,577,515	65,861,631	\$ 65,862	\$ 16,928,274	\$ -	\$ (59,875)	\$ (21,217,884)	\$ (4,283,623)
Series B convertible preferred stock sold for cash	-	-	10,000	150,000	-	-	-	-	-	-	-
Series B convertible preferred stock issued as commitment fee on ELOC	-	-	13,667	205,005	-	-	-	-	-	-	-
Common stock issued for services	-	-	-	-	1,341,276	1,341	132,787	-	-	-	134,128
Amortization of common stock options issued for services	-	-	-	-	-	-	41,180	-	-	-	41,180
Series A convertible preferred stock	-	-	-	-	-	-	(9,866)	-	-	-	(9,866)

dividends declared (\$0.60 per share)												
Gain on foreign currency translation	-	-	-	-	-	-	-	-	-	2,334	-	2,334
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(994,143)</u>	<u>(994,143)</u>
Balance, September 30, 2022	<u>65,233</u>	<u>\$ 652,330</u>	<u>262,168</u>	<u>\$ 3,932,520</u>	<u>67,202,907</u>	<u>\$ 67,203</u>	<u>\$ 17,092,375</u>	<u>\$ -</u>	<u>\$ (57,541)</u>	<u>\$ (22,212,027)</u>	<u>\$ (5,109,990)</u>	

For the Nine Months Ended September 30, 2021											
	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-In	Subscriptions	Accumulated Other Comprehensive	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Payable	Income (Loss)	Deficit	(Deficit)
Balance, December 31, 2020	150,233	\$ 1,502,330	-	\$ -	53,085,305	\$ 53,085	\$ 14,103,672	\$ 75,000	\$ (52,870)	\$ (16,132,326)	\$ (1,953,439)
Series B convertible preferred stock sold for cash to our CEO	-	-	203,334	3,050,010	-	-	-	-	-	-	-
Series B convertible preferred stock sold for cash	-	-	35,168	527,520	-	-	(25)	-	-	-	(25)
Common stock sold for cash	-	-	-	-	750,000	750	74,250	(75,000)	-	-	-
Conversion of series A convertible preferred stock	(55,000)	(550,000)	-	-	5,500,000	5,500	544,500	-	-	-	550,000
Common stock issued for services	-	-	-	-	280,678	281	56,515	-	-	-	56,796
Commitment shares issued pursuant to promissory note	-	-	-	-	2,000,000	2,000	266,250	150,062	-	-	418,312
Exercise of cashless options	-	-	-	-	60,000	60	(60)	-	-	-	-
Warrants issued as a debt discount	-	-	-	-	-	-	358,017	-	-	-	358,017
Amortization of common stock options issued for services	-	-	-	-	-	-	837,955	-	-	-	837,955
Series A convertible preferred stock dividends declared (\$0.60 per share)	-	-	-	-	-	-	(49,246)	-	-	-	(49,246)
Loss on foreign currency translation	-	-	-	-	-	-	-	-	(10,919)	-	(10,919)
Net loss	-	-	-	-	-	-	-	-	-	(2,461,090)	(2,461,090)
Balance, September 30, 2021	95,233	\$ 952,330	238,502	\$ 3,577,530	61,675,983	\$ 61,676	\$ 16,191,828	\$ 150,062	\$ (63,789)	\$ (18,593,416)	\$ (2,253,639)

For the Nine Months Ended September 30, 2022											
	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-In	Subscriptions	Accumulated Other Comprehensive	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Payable	Income (Loss)	Deficit	(Deficit)
Balance, December 31, 2021	65,233	\$ 652,330	238,501	\$ 3,577,515	65,599,565	\$ 65,600	\$ 16,843,656	\$ 21,725	\$ (64,347)	\$ (19,916,888)	\$ (3,050,254)
Series B convertible preferred stock sold for cash	-	-	10,000	150,000	-	-	-	-	-	-	-
Series B convertible preferred stock issued as commitment fee on ELOC	-	-	13,667	205,005	-	-	-	-	-	-	-
Common stock issued for services	-	-	-	-	1,603,342	1,603	154,250	(21,725)	-	-	134,128



Amortization of common stock options issued for services	-	-	-	-	-	-	123,440	-	-	-	123,440
Series A convertible preferred stock dividends declared (\$0.60 per share)	-	-	-	-	-	-	(28,971)	-	-	-	(28,971)
Gain on foreign currency translation	-	-	-	-	-	-	-	-	6,806	-	6,806
Net loss	-	-	-	-	-	-	-	-	-	(2,295,139)	(2,295,139)
Balance, September 30, 2022	<u>65,233</u>	<u>\$ 652,330</u>	<u>262,168</u>	<u>\$ 3,932,520</u>	<u>67,202,907</u>	<u>\$ 67,203</u>	<u>\$ 17,092,375</u>	<u>\$ -</u>	<u>\$ (57,541)</u>	<u>\$ (22,212,027)</u>	<u>\$ (5,109,990)</u>

See accompanying notes to financial statements.

**ONE WORLD PRODUCTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	For the Nine Months Ended September 30,	
	2022	2021
<b>Cash flows from operating activities</b>		
Net loss	\$ (2,295,139)	\$ (2,461,090)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debts expense	-	25,556
Depreciation and amortization expense	34,540	29,937
Loss on disposal of fixed assets	9,041	17,563
Gain on early extinguishment of lease	(20,148)	-
Gain on early extinguishment of debt	(121,372)	-
Amortization of debt discounts	412,673	310,633
Stock-based compensation	339,133	56,796
Amortization of options issued for services	123,440	837,955
Decrease (increase) in assets:		
Accounts receivable	(11,216)	(48,843)
Inventory	(120,625)	(259,528)
Other current assets	109,578	(69,479)
Other assets	(33,327)	(32,330)
Right-of-use assets	84,667	34,237
Security deposits	(194,020)	(1,159,447)
Increase (decrease) in liabilities:		
Accounts payable	259,049	(271,176)
Accrued expenses	357,650	(97,380)
Deferred revenues	5,176	-
Lease liability	(64,067)	(33,453)
Net cash used in operating activities	<u>(1,124,967)</u>	<u>(3,120,049)</u>
<b>Cash flows from investing activities</b>		
Proceeds received on sale of fixed assets	6,350	5,125
Purchase of fixed assets	(43,201)	(273,348)
Net cash used in investing activities	<u>(36,851)</u>	<u>(268,223)</u>
<b>Cash flows from financing activities</b>		
Proceeds received on convertible note payable	750,000	-
Repayment of convertible note payable	(750,000)	-
Proceeds from notes payable	868,081	947,000
Repayment of notes payable	-	(455,567)
Proceeds from notes payable, related parties	99,500	-
Proceeds from sale of preferred and common stock	150,000	3,577,505
Net cash provided by financing activities	<u>1,117,581</u>	<u>4,068,938</u>
Effect of exchange rate changes on cash	(6,820)	(10,919)
Net increase (decrease) in cash	(51,057)	669,747
Cash - beginning	119,678	28,920
Cash - ending	<u>\$ 68,621</u>	<u>\$ 698,667</u>
<b>Supplemental disclosures:</b>		
Interest paid	\$ 79,269	\$ 33,564
Income taxes paid	\$ -	\$ -
<b>Non-cash investing and financing transactions:</b>		
Fair value of common shares issued for conversion of debt	\$ -	\$ 1,537,750
Value of commitment shares issued as a debt discount	\$ -	\$ 418,312
Value of warrants issued as a debt discount	\$ -	\$ 358,017
Dividends payable	\$ 28,971	\$ 49,246
Initial recognition of right-of-use assets and lease liabilities	<u>\$ 1,535,706</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**Note 1 – Nature of Business and Significant Accounting Policies**

Nature of Business

One World Products, Inc., formerly known as One World Pharma, Inc. (the “Company,” “we,” “our” or “us”) was incorporated in Nevada on September 2, 2014. On February 21, 2019, we entered into an Agreement and Plan of Merger with OWP Merger Subsidiary, Inc., our wholly-owned subsidiary, and OWP Ventures, Inc. (“OWP Ventures”), which is the parent company of One World Pharma SAS, a Colombian company (“OWP Colombia”). Pursuant to the Merger Agreement, we acquired OWP Ventures (and indirectly, OWP Colombia) by the merger of OWP Merger Subsidiary with and into OWP Ventures, with OWP Ventures being the surviving entity as our wholly-owned subsidiary (the “Merger”). As a result of the Merger (a) holders of the outstanding capital stock of OWP Ventures received an aggregate of 39,475,398 shares of our common stock; (b) options to purchase 825,000 shares of common stock of OWP Ventures at an exercise price of \$0.50 automatically converted into options to purchase 825,000 shares of our common stock at an exercise price of \$0.50; (c) the outstanding principal and interest under a \$300,000 convertible note issued by OWP Ventures became convertible, at the option of the holder, into shares of our common stock at a conversion price equal to the lesser of \$0.424 per share or 80% of the price we sell our common stock in a future “Qualified Offering”; (d) 875,000 shares of our common stock owned by OWP Ventures prior to the Merger were cancelled; and (e) OWP Ventures’ chief operating officer became our chief operating officer and two of OWP Ventures’ directors became members of our board of directors. The Company’s headquarters are located in Las Vegas, Nevada, and all of its customers are outside of the United States. On January 10, 2019, the Company changed its name from Punto Group, Corp. to One World Pharma, Inc., and on November 23, 2021, the Company changed its name to One World Products, Inc. through the merger of One World Products, Inc., a recently formed Nevada corporation wholly-owned by the Company, with and into the Company (the “Name Change Merger”) pursuant to the applicable provisions of the Nevada Revised Statutes (“NRS”). As permitted by the NRS, the articles of merger filed with the Secretary of State of the state of Nevada to effect the Name Change Merger amended Article I of the Company’s Articles of Incorporation to change the Company’s name to “One World Products, Inc.” The Name Change Merger was effected solely to effect the change of the Company’s name, and had no effect on the Company’s officers, directors, operations, assets or liabilities.

OWP Ventures is a holding company formed in Delaware on March 27, 2018 to enter and support the cannabis industry, and on May 30, 2018, it acquired OWP Colombia. OWP Colombia is a licensed cannabis cultivation, production and distribution (export) company located in Popayán, Colombia (nearest major city is Cali). We plan to be a producer of raw cannabis and hemp plant ingredients for both medical and industrial uses across the globe. We have received licenses to cultivate, produce and distribute the raw ingredients of the cannabis and hemp plant for medicinal, scientific and industrial purposes. Specifically, we are one of the few companies in Colombia to receive all four licenses, including seed use, cultivation and export of non-psychoactive cannabis, cultivation and export of psychoactive cannabis, and manufacturing allowing for extraction and export of oil. Currently, we own approximately 30 acres and have a covered greenhouse built specifically to cultivate high-grade cannabis and hemp. In addition, we have entered into agreements with local farming co-operatives that include small farmers and indigenous tribe members, under which they will cultivate cannabis on up to approximately 140 acres of land using our seeds and propagation techniques, and sell their harvested products to us on an exclusive basis. We began harvesting cannabis in the first quarter of 2019 for the purpose of further research and development activities, quality control testing and extraction. We have been generating revenue from the sale of our seeds since the second quarter of 2020. In August 2021, we paid total deposits of \$1,155,000 of the approximate total cost of \$1,400,000 for the construction of a vertically integrated extraction facility designed to process the cannabis flower. Upon completion of construction, we will be one of the only companies in Colombia to both hold licenses and possess the capability to extract high-quality CBD and THC oils. We terminated our lease on September 30, 2022, and plan to install the equipment at a new extraction facility when the equipment clears Customs in the fourth quarter of 2022. We entered into a 5-year lease on the new location on October 1, 2022, where we will combine our office and extraction facilities into the same building. The new facility is approximately half the cost of the former, and already contains the necessary electrical and epoxy floors, which will significantly reduce our tenant improvement costs.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and the rules of the Securities and Exchange Commission (SEC). Intercompany accounts and transactions have been eliminated.

The unaudited condensed consolidated financial statements of the Company and the accompanying notes included in this Quarterly Report on Form 10-Q are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the Condensed Consolidated Financial Statements have been included. Such adjustments are of a normal, recurring nature. The Condensed Consolidated Financial Statements, and the accompanying notes, are prepared in accordance with GAAP and do not contain certain information included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021. The interim Condensed Consolidated Financial Statements should be read in conjunction with that Annual Report on Form 10-K. Results for the interim periods presented are not necessarily indicative of the results that might be expected for the entire fiscal year.

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the following entities, all of which were under common control and ownership at September 30, 2022:

Name of Entity	State of Incorporation	Relationship
One World Products, Inc. <sup>(1)</sup>	Nevada	Parent
OWP Ventures, Inc. <sup>(2)</sup>	Delaware	Subsidiary
One World Pharma S.A.S. <sup>(3)</sup>	Colombia	Subsidiary
Colombian Hope, S.A.S. <sup>(4)</sup>	Colombia	Subsidiary
Agrobase, S.A.S. <sup>(5)</sup>	Colombia	Subsidiary

(1) Holding company in the form of a corporation.

(2) Holding company in the form of a corporation and wholly-owned subsidiary of One World Products, Inc.

(3) Wholly-owned subsidiary of OWP Ventures, Inc. since May 30, 2018, located in Colombia and legally constituted as a simplified stock company registered in the Chamber of Commerce of Bogotá on July 18, 2017. Its headquarters are located in Bogotá.

(4) Wholly-owned subsidiary of OWP Ventures, Inc., acquired on November 19, 2019, located in Colombia and legally constituted as a simplified stock company. This company has yet to incur any substantive income or expenses.

(5) Wholly-owned subsidiary of OWP Ventures, Inc., formed on September 12, 2019, located in Colombia and legally constituted as a simplified stock company. This company has yet to incur any substantive income or expenses.

The consolidated financial statements herein contain the operations of the wholly-owned subsidiaries listed above. The Company's headquarters are located in Las Vegas, Nevada and substantially all of its production efforts are within Popayán, Colombia.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

Foreign Currency Translation

The functional currency of the Company is Columbian Peso (COP). The Company has maintained its financial statements using the functional currency, and translated those financial statements to the US Dollar (USD) throughout this report. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income (loss) for the respective periods.

Comprehensive Income

The Company has adopted the Financial Accounting Standards Boards ("FASB") Accounting Standards Codification ("ASC") 220, Reporting Comprehensive Income, which establishes standards for reporting and displaying comprehensive income, its components, and accumulated balances in a full-set of general-purpose financial statements. Accumulated other comprehensive income represents the accumulated balance of foreign currency translation adjustments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Segment Reporting

ASC Topic 280, "Segment Reporting," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Fair Value of Financial Instruments

The Company discloses the fair value of certain assets and liabilities in accordance with ASC 820 – Fair Value Measurement and Disclosures (ASC 820). Under ASC 820-10-05, the FASB establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, accounts receivable, accounts payable and accrued expenses reported on the balance sheets are estimated by management to approximate fair value primarily due to the short-term nature of the instruments.

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

Cash in Excess of FDIC Insured Limits

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, under current regulations. The Company did not have any cash in excess of FDIC insured limits at September 30, 2022, and has not experienced any losses in such accounts.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606 — Revenue from Contracts with Customers. Under ASC 606, the Company recognizes revenue from the commercial sales of products, licensing agreements and contracts to perform pilot studies by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. The Company's sales to date have primarily consisted of the sale of seeds. These sales include multi-element arrangements whereby the Company collects 50% of the sale upon delivery of the sales, and the remaining 50% upon the completion of the harvest, whether the seeds result in a successful crop, or not. In addition, the Company has a right of first refusal to purchase products resulting from the harvest. At September 30, 2022, the Company had \$35,340 of deferred revenues and \$22,830 of deferred cost of goods sold, as included in other current assets on the balance sheet, that are expected to be recognized upon the customers' completion of their future harvests.

Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. Our cannabis products consist of cannabis flower grown in-house, along with produced extracts.

Stock-Based Compensation

The Company accounts for equity instruments issued to employees and non-employees in accordance with the provisions of ASC 718 Stock Compensation (ASC 718). All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date at which a commitment for performance by the counterparty to earn the equity instruments is reached because of sufficiently large disincentives for nonperformance.

Basic and Diluted Loss Per Share

The basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the periods presented, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's financial statements upon adoption.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which creates an exception to the general recognition and measurement principle for contract assets and contract liabilities from contracts with customers acquired in a business combination. The new guidance will require companies to apply the definition of a performance obligation under accounting standard codification ("ASC") Topic 606 to recognize and measure contract assets and contract liabilities (i.e., deferred revenue) relating to contracts with customers that are acquired in a business combination. Under current GAAP, an acquirer in a business combination is generally required to recognize and measure the assets it acquires and the liabilities it assumes at fair value on the acquisition date. The new guidance will result in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC Topic 606. These amendments are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The adoption of ASU 2021-08 is not expected to have a material impact on the Company's financial statements or related disclosures.

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

In May 2021, the FASB issued ASU No. 2021-04, *Earnings Per Share* (Topic 260), *Debt – Modifications and Extinguishments* (Subtopic 470-50), *Compensation* (Topic 718), and *Derivatives and Hedging – Contracts in Entity's Own Equity* (Subtopic 815-40) *Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity Classified Written Call Options*. ASU 2021-04 addresses issuer's accounting for certain modifications or exchanges of freestanding equity-classified written call options. ASU 2021-04 is effective for fiscal years beginning after December 15, 2021 and interim periods within those fiscal years, with early adoption permitted. The adoption of ASU 2021-04 has not had a material impact on the Company's financial statements or related disclosures.

In March 2020, the FASB issued ASU 2020-04 *establishing Topic 848, Reference Rate Reform*. ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The pronouncement provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The adoption of ASU 2020-04 did not have a material impact on the Company's consolidated financial statements, as we transitioned from the London Interbank Offered Rate, commonly referred to as LIBOR, to alternative references rates, as well as utilizing the aforementioned expedients and exceptions provided in ASU 2020-04.

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options* (Subtopic 470-20) and *Derivatives and Hedging—Contracts in Entity's Own Equity* (Subtopic 815-40): *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* (ASU 2020-06), which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if converted method. The new guidance is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2021, with early adoption permitted. The adoption of ASU 2020-06 is not expected to have a material impact on the Company's financial statements or related disclosures.

No other new accounting pronouncements, issued or effective during the period ended September 30, 2022, have had or are expected to have a significant impact on the Company's financial statements.

## **Note 2 –Going Concern**

As shown in the accompanying condensed consolidated financial statements as of September 30, 2022, our balance of cash on hand was \$68,621, and we had negative working capital of \$2,268,606 and an accumulated deficit of \$22,212,027. We are too early in our development stage to project future revenue levels, and may not be able to generate sufficient funds to sustain our operations for the next twelve months. Accordingly, we may need to raise additional cash to fund our operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

In the event sales do not materialize at the expected rates, management would seek additional financing and would attempt to conserve cash by further reducing expenses. There can be no assurance that we will be successful in achieving these objectives; therefore, without sufficient financing it would be unlikely for the Company to continue as a going concern.

The condensed consolidated financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. The condensed consolidated financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern. Our ability to scale production and distribution capabilities and further increase the value of our brands, is largely dependent on our success in raising additional capital.

## **Note 3 – Fair Value of Financial Instruments**

Under FASB ASC 820-10-5, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and FASB ASC 820-10-50 details the disclosures that are required for items measured at fair value.

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

The Company has certain financial instruments that must be measured under the new fair value standard. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheet as of September 30, 2022 and December 31, 2021, respectively:

Fair Value Measurements at September 30, 2022			
	Level 1	Level 2	Level 3
<b>Assets</b>			
Cash	\$ 68,621	\$ -	\$ -
Right-of-use asset	-	-	32,357
Total assets	68,621	-	32,357
<b>Liabilities</b>			
Lease liabilities	-	-	32,809
Convertible notes payable	-	750,000	-
Notes payable	-	854,455	-
Notes payable, related parties	-	299,500	-
Total liabilities	-	(1,903,955)	(32,809)
	\$ 68,621	\$ (1,903,955)	\$ (452)
Fair Value Measurements at December 31, 2021			
	Level 1	Level 2	Level 3
<b>Assets</b>			
Cash	\$ 119,678	\$ -	\$ -
Total assets	119,678	-	-
<b>Liabilities</b>			
Convertible notes payable, net of \$412,673 of debt discounts	-	337,327	-
Convertible notes payable	-	319,274	-
Total liabilities	-	(656,601)	-
	\$ 119,678	\$ (656,601)	\$ -

There were no transfers of financial assets or liabilities between Level 1, Level 2 and Level 3 inputs for the nine months ended September 30, 2022 or the year ended December 31, 2021.

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**Note 4 – Inventory**

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. Our cannabis products consist of cannabis flower grown in-house, along with produced extracts. Inventory consisted of the following at September 30, 2022 and December 31, 2021, respectively.

	September 30, 2022	December 31, 2021
Raw materials	\$ 22,236	\$ 31,233
Work in progress	115,061	81,182
Finished goods	201,307	108,246
	338,604	220,661
Less obsolescence	(19,384)	(22,066)
Total inventory	<u>\$ 319,220</u>	<u>\$ 198,595</u>

**Note 5 – Other Current Assets**

Other current assets included the following as of September 30, 2022 and December 31, 2021, respectively:

	September 30, 2022	December 31, 2021
Prepaid expenses	\$ 26,428	\$ 29,366
Deferred cost of goods sold	22,830	19,470
Other receivables	-	110,000
Total	<u>\$ 49,258</u>	<u>\$ 158,836</u>

**Note 6 – Other Assets**

Other assets consist entirely of a \$180,521 and \$147,194 VAT receivable at September 30, 2022 and December 31, 2021, respectively, which will be returned upon the successful export of the products purchased in which the taxes were originally paid.

**Note 7 – Security Deposits**

Security deposits included the following as of September 30, 2022 and December 31, 2021, respectively:

	September 30, 2022	December 31, 2021
Utility deposits	\$ -	\$ 1,090
Refundable deposit on equipment purchase	50,000	50,000
Down payment on distillation equipment	1,399,412	1,155,000
Security deposits on leases held in Colombia	596	35,869
Security deposit on office lease	-	14,029
	<u>\$ 1,450,008</u>	<u>\$ 1,255,988</u>



**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**Note 8 – Fixed Assets**

Fixed assets consist of the following at September 30, 2022 and December 31, 2021, respectively:

	September 30, 2022	December 31, 2021
Land	\$ 138,248	\$ 138,248
Buildings	473,971	473,971
Office equipment	30,902	56,502
Furniture and fixtures	6,494	34,409
Equipment and machinery	423,548	383,829
	1,073,163	1,086,959
Less: accumulated depreciation	(76,880)	(83,946)
Total	<u>\$ 996,283</u>	<u>\$ 1,003,013</u>

On August 15, 2022, the Company, through its wholly-owned subsidiary, OWP Ventures, Inc., sold its office furniture and equipment with a net book value of \$15,391 for gross proceeds of \$6,350, resulting in a loss on the disposal of fixed assets of \$9,041, which represented the proceeds received, less the net book value at the time of disposal.

Depreciation and amortization expense totaled \$34,540 and \$29,937 for the nine months ended September 30, 2022 and 2021, respectively.

**Note 9 – Accrued Expenses**

Accrued expenses consisted of the following at September 30, 2022 and December 31, 2021, respectively:

	September 30, 2022	December 31, 2021
Accrued payroll	\$ 514,133	\$ 261,044
Accrued withholding taxes and employee benefits	28,505	9,162
Accrued ICA fees and contributions	172,629	129,856
Accrued interest	98,047	57,700
	<u>\$ 813,314</u>	<u>\$ 457,762</u>

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**Note 10 – Leases**

The Company leased its 12,400 square foot extraction facility under a non-cancelable real property lease agreement that commenced on January 1, 2022 and was to expire on December 31, 2027, at a monthly lease rate of 57,339,000 COP, or approximately \$15,290. The Company terminated the lease on September 30, 2022, resulting in lease termination fees of approximately \$7,700.

The Company also leases a residential premise under a non-cancelable real property lease agreement that commenced on September 1, 2021 and expires on August 31, 2024, at a monthly lease term of 3,800,000 COP, or approximately \$1,013, with approximately a 3% annual escalation of lease payments commencing September 1, 2022.

The Company leases another residential premise under a non-cancelable real property lease agreement that commenced on June 1, 2022 and expires on May 30, 2024, at a monthly lease term of 1,900,000 COP, or approximately \$507, with an 8% annual escalation of lease payments commencing June 1, 2023.

In addition, the Company leases its corporate offices and operational facility in Colombia under short-term non-cancelable real property lease agreements that expire within a year. The Company doesn't have any other office or equipment leases that would require capitalization. The office lease contains provisions requiring payment of property taxes, utilities, insurance, maintenance and other occupancy costs applicable to the leased premise. In the locations in which it is economically feasible to continue to operate, management expects to enter into a new lease upon expiration. The extraction facility lease contained provisions requiring payment of property taxes, utilities, insurance, maintenance and other occupancy costs applicable to the leased premise. As the Company's leases do not provide implicit discount rates, the Company uses an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

The components of lease expense were as follows:

	For the Nine Months Ended September 30, 2022
Operating lease costs:	
Amortization of assets	\$ 93,011
Interest on lease liabilities	76,251
Lease payments on short term leases	31,999
Total lease cost	<u>\$ 201,261</u>

Supplemental balance sheet information related to leases was as follows:

	September 30, 2022
Operating leases:	
Operating lease assets	<u>\$ 32,357</u>
Current portion of operating lease liabilities	\$ 17,106
Noncurrent operating lease liabilities	15,703
Total operating lease liabilities	<u>\$ 32,809</u>
Weighted average remaining lease term:	
Operating leases	1.75 years
Weighted average discount rate:	
Operating leases	6.75%

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

Supplemental cash flow and other information related to leases was as follows:

	For the Nine Months Ended September 30, 2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used for operating leases	\$ 64,067
Early extinguishment of lease:	
Lease liability terminated	1,438,830
Right-of use asset terminated	(1,418,682)
Gain on early extinguishment of lease	20,148
Leased assets obtained in exchange for lease liabilities:	
Total operating lease liabilities	\$ 1,535,706

Future minimum annual lease commitments under non-cancelable operating leases are as follows at September 30, 2022:

	Operating Leases
2022 (for the three months remaining)	\$ 4,653
2023	19,016
2024	11,335
Total minimum lease payments	35,004
Less interest	2,195
Present value of lease liabilities	32,809
Less current portion	17,106
Long-term lease liabilities	\$ 15,703

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**Note 11 – Convertible Notes Payable**

Convertible notes payable consists of the following at September 30, 2022 and December 31, 2021, respectively:

	September 30, 2022	December 31, 2021
On September 27, 2022, the Company completed the sale of a Convertible Promissory Note in the principal amount of \$750,000 (the “Convertible McCabe Note”) to Dr. John McCabe. The unsecured note matures on 16, 2024 (the “Maturity Date”), bears interest at a rate of 8% per annum, and the principal and interest is convertible into shares of the Company’s convertible Series B common stock at a conversion price of \$15 per share.	\$ 750,000	\$ -
On September 24, 2021, the Company completed the sale of a (i) Promissory Note in the principal amount of \$750,000 (the “Second AJB Note”) to AJB Capital Investments LLC (“AJB Capital”), (ii) a three-year warrant to purchase 1,500,000 shares of the Company’s common stock at an initial exercise price of \$0.25 per share, and (iii) a three-year warrant to purchase 2,000,000 shares of the Company’s common stock at an initial exercise price of \$0.50 per share, for an aggregate purchase price of \$705,000, pursuant to a Securities Purchase Agreement between the Company and AJB Capital (the “Purchase Agreement”). The aggregate estimated value using the Black-Scholes Pricing Model, based on a volatility rate of 197% and a call option value of \$0.1053 and \$0.1001, respectively, was \$358,017, based on and was amortized as a debt discount over the life of the loan. The Company received net proceeds of \$678,750 after deductions of debt discounts, consisting of \$45,000 pursuant to an original issue discount, \$15,000 of legal fees and \$11,250 of brokerage fees.		
The Note matured on September 24, 2022 (the “Maturity Date”), bore interest at a rate of 8% per annum, and, following an event of default only, was convertible into shares of the Company’s common stock at a conversion price equal to the lesser of 90% of the lowest trading price during (i) the 20 trading day period preceding the issuance date of the note, or (ii) the 20 trading day period preceding date of conversion of the Note. The Note was also subject to covenants, events of defaults, penalties, default interest and other terms and conditions customary in transactions of this nature.		
Pursuant to the Purchase Agreement, the Company paid a commitment fee to AJB Capital in the amount of \$250,000 (the “Commitment Fee”) in the form of 1,250,000 shares of the Company’s common stock (the “Commitment Fee Shares”). During the six month period following the six month anniversary of the closing date, AJB Capital was entitled to be issued additional shares of common stock of the Company to the extent AJB Capital’s sale of the Commitment Fee Shares has resulted in net proceeds in an amount less than the Commitment Fee. The Commitment Fee Shares resulted in a debt discount of \$150,062 that was amortized over the life of the loan.		
The obligations of the Company to AJB Capital under the Note and the Purchase Agreement are secured by a lien on the Company’s assets pursuant to a Security Agreement between the Company and AJB Capital. The note was repaid on September 27, 2022.	-	750,000
Total convertible notes payable	750,000	750,000
Less: unamortized debt discounts	-	412,673
Convertible note payable, net of discounts	\$ 750,000	\$ 337,327

The Company recognized aggregate debt discounts on the convertible notes and notes payable to AJB Capital for the nine months ended September 30, 2022 and the year ended December 31, 2021, as follows:

	September 30, 2022	December 31, 2021
Fair value of 3,250,000 commitment shares of common stock	\$ 418,312	\$ 418,312
Fair value of warrants to purchase 3,500,000 shares of common stock	358,017	358,017
Original issue discounts	53,700	53,700
Legal and brokerage fees	39,300	39,300
Total debt discounts	869,329	869,329
Amortization of debt discounts	869,329	456,656
Unamortized debt discounts	\$ -	\$ 412,673

The aggregate debt discounts of \$869,329, for the year ended December 31, 2021, were amortized over the life of the loan using the straight-line method, which approximated the effective interest method. The Company recorded finance expense in the amount of \$412,673 and \$310,633 on the amortization of these discounts for the nine months ended September 30, 2022 and 2021, respectively.

The Company recorded interest expense pursuant to the stated interest rates on the convertible note in the amount of \$43,899 for the nine months ended September 30, 2022.

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
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**Note 12 – Notes Payable**

Notes payable consists of the following at September 30, 2022 and December 31, 2021, respectively:

	September 30, 2022	December 31, 2021
On September 15, 2022, the Company, through its wholly-owned subsidiary, One World Pharma, SAS, received proceeds of 55,488,000 COP, or approximately \$12,243, on a loan with a face value of 70,000,000 COP, or approximately \$15,445, from an individual pursuant to an unsecured promissory note, bearing interest at 4% per month, or 48% per annum, due on demand. The debt discount of \$3,202 was expensed as finance costs at the time of origination.	\$ 15,445	\$ -
On June 13, 2022, the Company, through its wholly-owned subsidiary, OWP Ventures, Inc., received an advance of \$100,000 from an individual pursuant to an unsecured promissory note, maturing on January 1, 2024, that carries an 8% interest rate.	100,000	-
On June 17, 2022, the Company, through its wholly-owned subsidiary, One World Pharma, SAS, received proceeds of 230,400,000 COP, or approximately \$55,821, on a loan with a face value of 240,000,000 COP, or approximately \$58,147, from an individual pursuant to an unsecured promissory note, bearing interest at 4% per month, or 48% per annum, due on demand. The debt discount of \$2,326 was expensed as finance costs at the time of origination. The face value of the note has been adjusted by \$5,191 due to foreign currency translation adjustments.	52,956	-
On May 31, 2022, the Company, through its wholly-owned subsidiary, One World Pharma, SAS, received proceeds of 314,640,000 COP, or approximately \$76,231, on a loan with a face value of 360,000,000 COP, or approximately \$87,220, from an individual pursuant to promissory note, security by equipment, bearing interest at 2.1% per month, or 25% per annum, maturing on November 28, 2022. The debt discount of \$10,990 was expensed as finance costs at the time of origination. The face value of the note has been adjusted by \$7,786 due to foreign currency translation adjustments.	79,434	-
On May 30, 2022, the Company, through its wholly-owned subsidiary, One World Pharma, SAS, received a non-interest bearing loan of 20,000,000 COP, or approximately \$4,846, from an individual pursuant to an unsecured promissory note, due on demand. The face value of the note has been adjusted by \$433 due to foreign currency translation adjustments.	4,413	-
On April 29, 2022, the Company, through its wholly-owned subsidiary, One World Pharma, SAS, received a non-interest bearing loan of 10,000,000 COP, or approximately \$2,423, from an individual pursuant to an unsecured promissory note, due on demand. The face value of the note has been adjusted by \$216 due to foreign currency translation adjustments.	2,207	-
On March 1, 2022, the Company, through its wholly-owned subsidiary, OWP Ventures, Inc., received an advance of \$400,000 from an individual pursuant to an unsecured promissory note, maturing on January 1, 2024, that carries an 8% interest rate.	400,000	-
On February 15, 2022, the Company, through its wholly-owned subsidiary, OWP Ventures, Inc., received an advance of \$200,000 from an individual pursuant to an unsecured promissory note, maturing on January 1, 2024, that carries an 8% interest rate.	200,000	-
On May 4, 2020, the Company, through its wholly-owned subsidiary OWP Ventures, Inc., borrowed \$119,274 from Customers Bank (“Lender”), pursuant to a Promissory Note issued by OWP Ventures to Lender (the “PPP Note”). The loan was made pursuant to the Payroll Protection Program established as part of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP Note carried interest at 1.00% per annum, payable monthly beginning December 4, 2020, and was due on May 4, 2022. The PPP Note could have been repaid at any time without penalty.		
Under the Payroll Protection Program, the Company was eligible for loan forgiveness up to the full amount of the PPP Note and any accrued interest. The forgiveness amount was equal to the amount that the Company spent during the 24-week period beginning May 4, 2020 on payroll costs, payment of rent on any leases in force prior to February 15, 2020 and payment on any utility for which service began before February 15, 2020. The maximum amount of loan forgiveness for non-payroll expenses was 40% of the amount of the PPP Note. A total of \$121,372, consisting of \$119,274 of principal and \$2,098 of interest, was forgiven on February 11, 2022.	-	119,274
Total notes payable	854,455	119,274
Less: current maturities	154,455	119,274
Notes payable, long-term portion	\$ 700,000	\$ -

The Company recorded interest expense pursuant to the stated interest rates on the notes payable in the amount of \$51,345 and \$8,434 for the nine months ended September 30, 2022 and 2021, respectively.

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**Note 13 – Notes Payable, Related Party**

Notes payable, related party, consists of the following at September 30, 2022 and December 31, 2021, respectively:

	September 30, 2022	December 31, 2021
On August 5, 2022, the Company received an advance of \$50,000 from Dr. Kenneth Perego, II, M.D., our Vice Chairman of the Board pursuant to an unsecured promissory note due on demand that carried a 6% interest rate.	\$ 50,000	\$ -
On August 2, 2022, the Company received an advance of \$4,500 from Isiah Thomas, III, our Chairman of the Board and CEO, pursuant to an unsecured promissory note due on demand that carried a 6% interest rate.	4,500	-
On July 7, 2022, the Company received an advance of \$5,000 from Dr. Kenneth Perego, II, M.D., our Vice Chairman of the Board pursuant to an unsecured promissory note due on demand that carried a 6% interest rate.	5,000	-
On June 3, 2022, the Company received an advance of \$10,000 from Isiah Thomas, III, our Chairman of the Board and CEO, pursuant to an unsecured promissory note due on demand that carried a 6% interest rate.	10,000	-
On May 5, 2022, the Company received an advance of \$10,000 from Isiah Thomas, III, our Chairman of the Board and CEO, pursuant to an unsecured promissory note due on demand that carried a 6% interest rate.	10,000	-
On May 5, 2022, the Company received an advance of \$20,000 from Dr. Kenneth Perego, II, M.D., our Vice Chairman of the Board pursuant to an unsecured promissory note due on demand that carried a 6% interest rate.	20,000	-
On December 29, 2021, the Company received an advance of \$200,000 from Dr. Kenneth Perego, II, M.D., our Vice Chairman of the Board pursuant to an unsecured promissory note due January 1, 2024 that carried an 8% interest rate.	200,000	200,000
Total notes payable, related party	299,500	200,000
Less: current maturities	99,500	-
Notes payable, related party, long-term portion	<u>\$ 200,000</u>	<u>\$ 200,000</u>

The Company recorded interest expense pursuant to the stated interest rates on the notes payable, related party, in the amount of \$13,538 for the nine months ended September 30, 2022.

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

The Company recognized interest expense for the nine months ended September 30, 2022 and 2021, as follows:

	September 30, 2022	September 30, 2021
Interest on convertible notes	\$ 43,899	\$ 21,120
Interest on notes payable	51,345	8,434
Interest on notes payable, related parties	13,538	-
Finance cost on equity line of credit	15,000	-
Amortization of debt discounts	50,753	24,288
Amortization of debt discounts, common stock	106,894	273,594
Amortization of debt discounts, warrants	255,026	12,751
Series B preferred stock issued as a commitment on an ELOC	205,005	-
Common stock issued as a commitment on the 2 <sup>nd</sup> AJB Note	134,128	-
Interest on accounts payable	11,249	7,771
Total interest expense	<u>\$ 886,837</u>	<u>\$ 347,958</u>

**Note 14 – Convertible Preferred Stock**

Preferred Stock

The Company has 10,000,000 authorized shares of \$0.001 par value “blank check” preferred stock, of which 500,000 shares have been designated Series A Preferred Stock and 600,000 shares have been designated Series B Preferred Stock, as amended on August 2, 2022. The shares of Series A Preferred Stock and Series B Preferred Stock are each currently convertible into one hundred (100) shares of the Company’s common stock. The Series A Preferred Stock accrues dividends at the rate of 6% per annum, payable in cash as and when declared by the Board or upon a liquidation. The shares of Series B Preferred Stock are not entitled to dividends, other than the right to participate in dividends payable to holders of common stock on an as-converted basis. As of September 30, 2022, there were 65,233 and 262,168 shares of Series A Preferred Stock and Series B Preferred Stock, respectively, issued and outstanding. The Series A and B Preferred Stock are presented as mezzanine equity on the balance sheet due because they carry a stated value of \$10 and \$15 per share, respectively, and a deemed liquidation clause, which entitles the holders thereof to receive proceeds thereof in an amount equal to the stated value per share, plus any accrued and unpaid dividends, before any payment may be made to holders of common stock. Each share of Preferred Stock carries a number of votes equal to the number of shares of common stock into which such Preferred Stock may then be converted. The Preferred Stock generally will vote together with the common stock and not as a separate class.

The Series A and B Preferred Stock have been classified outside of permanent equity and liabilities. the Series A Preferred Stock embodies conditional obligations that the Company may settle by issuing a variable number of equity shares, and in both the Series A and B Preferred Stock, monetary value of the obligation is based on a fixed monetary amount known at inception.

Series A Preferred Stock Issuances

No shares of Series A Preferred Stock were issued during the nine months ending September 30, 2022.

Preferred Stock Dividends

The Series A Preferred Stock accrues dividends at the rate of 6% per annum, payable in cash as and when declared by the Board or upon a liquidation. The Company recognized \$28,971 and \$34,843 for the nine months ended September 30, 2022 and 2021, respectively. A total of \$127,891 of dividends had accrued as of September 30, 2022.

Series B Preferred Stock Issuances

On September 1, 2022, the Company and Tysadco Partners, LLC (“Tysadco”), entered into a Securities Purchase Agreement (the “Purchase Agreement”) under which Tysadco agreed to purchase from the Company, 20,000 shares of the Company’s Series B Preferred Stock for a purchase price of \$15 per share of Series B Preferred Stock, and an aggregate purchase price of \$300,000. On September 12, 2022, Tysadco purchased the first 10,000 shares of Series B Preferred Stock under the Purchase Agreement for \$150,000. The Company paid \$15,000 out of the proceeds of the investment to Garden State Securities, Inc. as financing costs. In addition, pursuant to the ELOC Purchase Agreement, the Company issued Tysadco 13,667 shares of the Company’s Series B Preferred Stock as commitment fee shares. The fair value of the shares was \$205,005, based on recent sales prices of the Company’s Series B Preferred Stock on the date of grant.

**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

**Note 15 – Commitments and Contingencies**

Equity Line of Credit

On September 1, 2022, the Company entered into a Purchase Agreement (the “ELOC Purchase Agreement”) with Tysadco Partners, LLC (“Tysadco”). Pursuant to the ELOC Purchase Agreement, Tysadco has agreed to purchase from the Company, from time to time upon delivery by the Company to Tysadco of “Request Notices,” and subject to the other terms and conditions set forth in the ELOC Purchase Agreement, up to an aggregate of \$10,000,000 of the Company’s common stock. The purchase price of the shares of common stock to be purchased under the Purchase Agreement will be equal to 88% of the lowest daily “VWAP” during the period of 10 trading days beginning five trading days preceding the applicable Request. Each purchase under the Purchase Agreement will be in a minimum amount of \$25,000 and a maximum amount equal to the lesser of (i) \$1,000,000 and (ii) 500% of the average daily trading value of the common stock over the seven trading days preceding the delivery of the applicable Request Notice.

In connection with the ELOC Purchase Agreement, the Company entered into a Registration Rights Agreement with Tysadco under which the Company agreed to file a registration statement with the Securities and Exchange Commission covering the shares of common stock issuable under the ELOC Purchase Agreement and conversion of the Commitment Fee Shares (the “Registration Rights Agreement”).

**Note 16 – Changes in Stockholders’ Equity**

Common Stock

The Company is authorized to issue an aggregate of 300,000,000 shares of common stock with a par value of \$0.001. As of September 30, 2022, there were 67,202,907 shares of common stock issued and outstanding.

Common Stock Issued on Subscriptions Payable

On March 29, 2022, the Company issued 262,066 shares of common stock on a Subscriptions Payable for the December 1, 2021 award of common stock to COR IR for services.

Common Stock Issued as a Promissory Note Commitment

As disclosed in Note 11 above, the Company paid a commitment fee to AJB Capital of \$250,000 in the form of 1,250,000 shares of the Company’s common stock (“Commitment Fee Shares”) in connection with the issuance of the Second AJB Note, which was repaid on September 27, 2022. During the six month period following the six-month anniversary of the closing date, AJB Capital was entitled to be issued additional shares of common stock of the Company to the extent AJB Capital’s sale of the Commitment Fee Shares has resulted in net proceeds in an amount less than the Commitment Fee. As a result, the Company issued an additional 1,341,276 shares of common stock to AJB Capital on September 15, 2022. The fair value of the shares was \$134,128, based on the closing price of the Company’s common stock on the date of grant.

Amortization of Stock-Based Compensation

A total of \$123,440 of stock-based compensation expense was recognized from the amortization of options to purchase common stock over their vesting period during the nine months ended September 30, 2022.

**Note 17 – Common Stock Options**

Stock Incentive Plan

On February 12, 2020, the Company’s stockholders approved our 2019 Stock Incentive Plan (the “2019 Plan”), which had been adopted by the Company’s Board of Directors (the “Board”) as of December 10, 2019. The 2019 Plan provides for the issuance of up to 10,000,000 shares of common stock to the Company and its subsidiaries’ employees, officers, directors, consultants and advisors, stock options (non-statutory and incentive), restricted stock awards, stock appreciation rights (“SARs”), restricted stock units (“RSUs”) and other performance stock awards. Options granted under the 2019 Plan may either be intended to qualify as incentive stock options under the Internal Revenue Code of 1986, or may be non-qualified options, and are exercisable over periods not exceeding ten years from date of grant. Unless sooner terminated in accordance with its terms, the Stock Plan will terminate on December 10, 2029.



**ONE WORLD PRODUCTS, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(Unaudited)

The Company recognized a total of \$123,440, and \$70,077 of compensation expense during the nine months ended September 30, 2022 and 2021, respectively, related to common stock options issued in the prior year to Officers, Directors, and Employees that are being amortized over the implied service term, or vesting period, of the options. The remaining unamortized balance of these options is \$179,241 as of September 30, 2022.

**Note 18 – Income Taxes**

The Company accounts for income taxes under FASB ASC 740-10, which requires use of the liability method. FASB ASC 740-10-25 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences.

For the nine months ended September 30, 2022, and the year ended December 31, 2021, the Company incurred a net operating loss and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At September 30, 2022, the Company had approximately \$9,480,000 of federal net operating losses. The net operating loss carry forwards, if not utilized, will begin to expire in 2025.

Based on the available objective evidence, including the Company's history of its loss, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at September 30, 2022 and December 31, 2021, respectively.

In accordance with FASB ASC 740, the Company has evaluated its tax positions and determined there are no uncertain tax positions.

**Note 19 – Subsequent Events**

The Company evaluates events that have occurred after the balance sheet date through the date these financial statements were issued.

**Sale of Series B Preferred Stock**

On October 12, 2022, the Company sold the second tranche of 10,000 shares of Series B Preferred Stock to Tysadco for proceeds of \$150,000. The Company paid \$15,000 out of the proceeds of the investment to Garden State Securities, Inc. as financing costs.

**Commitment for the Sale of Series B Preferred Stock**

On October 3, 2022, the Company and ISIAH International, LLC ("ISIAH International"), an entity in which the Company's CEO, Isiah L. Thomas, III, is the sole member, entered into a securities purchase agreement under which ISIAH International has agreed to purchase from the Company an aggregate of 33,333 shares of the Company's Series B Preferred Stock (the "Series B Shares"), initially convertible into an aggregate of three million three hundred thirty three thousand three hundred (3,333,300) shares of the Company's common stock, for a total purchase price of \$499,995. To date, no purchases under this agreement have occurred.

**Extraction Facility Lease**

On October 1, 2022, the Company entered into a five-year non-cancelable property lease, with an automatic five-year extension, for a new extraction facility with combined office space, at a monthly lease term of 29,000,000 COP plus VAT and administration fees, or approximately \$6,300, with annual escalation of lease payments equal to the Consumer Price Index, plus 2%.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The information contained in this Form 10-Q is intended to update the information contained in our Annual Report on Form 10-K for the year ended December 31, 2021 and presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information contained in such Form 10-K. The following discussion and analysis also should be read together with our financial statements and the notes to the financial statements included elsewhere in this Form 10-Q.*

*The following discussion contains certain statements that may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Report, including, without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements are not guarantees of future performance and involve risks, uncertainties and requirements that are difficult to predict or are beyond our control. Forward-looking statements speak only as of the date of this quarterly report. You should not put undue reliance on any forward-looking statements. We strongly encourage investors to carefully read the factors described in the Form 10-K in the section entitled "Risk Factors" for a description of certain risks that could, among other things, cause actual results to differ from these forward-looking statements. We assume no responsibility to update the forward-looking statements contained in this quarterly report on Form 10-Q. The following should also be read in conjunction with the unaudited Financial Statements and notes thereto that appear elsewhere in this report.*

### Overview

Through our wholly-owned subsidiary, One World Pharma S.A.S, a licensed cannabis cultivation, production and distribution (export) company located in Popayán, Colombia (nearest major city is Cali). We plan to be a producer of raw cannabis and hemp plant ingredients for both medical and industrial uses across the globe. We have received licenses to cultivate, produce and distribute the raw ingredients of the cannabis and hemp plant for medicinal, scientific and industrial purposes. Specifically, we are one of the only companies in Colombia to receive seed, cultivation, extraction and export licenses from the Colombian government. Currently, we own approximately 30 acres and have a covered greenhouse built specifically to cultivate high-grade cannabis and hemp. In addition, we have entered into agreements with local farming co-operatives that include small farmers and indigenous tribe members, under which they will cultivate cannabis on up to approximately 140 acres of land using our seeds and propagation techniques, and sell their harvested products to us on an exclusive basis. We planted our first crop of cannabis in 2018, which we began harvesting in the first quarter of 2019 for the purpose of further research and development activities and quality control testing of the cannabis we have produced. We have been generating revenue from the sale of our seeds since the second quarter of 2020. From August 2021 through March 2022, we made payments of approximately \$1,400,000 for the purchase of a state of the art distillation machine that we expect to be placed in service within our vertically integrated extraction facility during the fourth quarter of 2022. Once the equipment is placed in service, we will be one of the only companies in Colombia to both hold licenses and possess the capability to extract high-quality CBD and THC oils. We terminated our lease on September 30, 2022, and plan to install the equipment at a new extraction facility when the equipment clears Customs in the fourth quarter of 2022. We entered into a 5-year lease on the new location on October 1, 2022, where we will combine our office and extraction facilities into the same building. The new facility is approximately half the cost of the former, and already contains the necessary electrical and epoxy floors, which will significantly reduce our tenant improvement costs.

## Results of Operations for the Three Months Ended September 30, 2022 and 2021:

The following table summarizes selected items from the statement of operations for the three months ended September 30, 2022 and 2021.

	Three Months Ended September 30,		Increase /
	2022	2021	(Decrease)
Revenues	\$ 33,373	\$ 7,845	\$ 25,528
Cost of goods sold	23,969	7,058	16,911
Gross profit	9,404	787	8,617
Operating expenses:			
General and administrative	378,910	358,382	20,528
Professional fees	95,946	153,484	(57,538)
Depreciation expense	9,883	6,939	2,944
Total operating expenses:	484,739	518,805	(34,066)
Operating loss	(475,335)	(518,018)	(42,683)
Total other expense	(518,808)	(149,661)	369,147
Net loss	\$ (994,143)	\$ (667,679)	\$ 326,464

### Revenues

Revenues during the three months ended September 30, 2022 were \$33,373, compared to \$7,845 during the three months ended September 30, 2021, an increase of \$25,528, or 325%. Revenues increased as we continued to shift our focus toward producing and selling CBD and THC oils.

### Cost of Goods Sold

Cost of goods sold for the three months ended September 30, 2022 were \$23,969, compared to \$7,058 for the three months ended September 30, 2021, an increase of \$16,911, or 240%. Cost of goods sold consists primarily of labor, agricultural raw materials, depreciation and overhead.

### General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2022 were \$378,910, compared to \$358,382 during the three months ended September 30, 2021, an increase of \$20,528, or 6%. The expenses for the current period consisted primarily of compensation expenses, office rent, and travel costs. General and administrative expenses increased primarily due to increased salaries and wages and lease expenses in Colombia over the prior year. General and administrative expenses included non-cash, stock-based compensation of \$29,347 and \$72,334 during the three months ended September 30, 2022 and 2021, respectively.

### Professional Fees

Professional fees for the three months ended September 30, 2022 were \$95,946, compared to \$153,484 during the three months ended September 30, 2021, a decrease of \$57,538, or 37%. Professional fees included non-cash, stock-based compensation of \$11,833 and \$60,042 during the three months ended September 30, 2022 and 2021, respectively. Professional fees decreased primarily due to decreased stock-based compensation during the current period.

### Depreciation Expense

Depreciation expense for the three months ended September 30, 2022 was \$9,883, compared to \$6,939 during the three months ended September 30, 2021, an increase of \$2,944, or 42%. Depreciation expense increased due to additional operational assets placed in service during the current period.

### Other Income (Expense)

Other expenses, on a net basis, for the three months ended September 30, 2022 were \$518,808, compared to other expenses, on a net basis, of \$149,661 during the three months ended September 30, 2021, an increase in net expenses of \$369,147, or 284%. Other expenses consisted of \$529,915 of interest expense, including \$109,969 of stock-based finance costs on the amortization of debt discounts, \$339,133 of stock-based commitment fees on debt and equity financing, and a loss on the sale of fixed assets of \$9,041, as partially offset by a gain of \$20,148 on the early extinguishment of our extraction facility lease in Colombia, for the three months ended September 30, 2022, compared to \$137,863 of interest expense, including \$116,312 of stock-based finance costs on the amortization of debt discounts, and a loss on disposal of fixed assets of \$17,563, as offset by \$5,000 of sublease income on sublet office space and \$765 of interest income during the three months ended September 30, 2021.

### Net Loss

Net loss for the three months ended September 30, 2022 was \$994,143, or \$0.02 per share, compared to \$667,679, or \$0.01 per share, during the three months ended September 30, 2021, an increase of \$326,464, or 49%. The net loss increased primarily due to increased stock-based compensation, primarily related to the issuance of 1,341,276 shares of common stock, valued at \$134,128, and 13,667 shares of Series B Preferred stock, valued at \$205,005, during the current period.

## Results of Operations for the Nine Months Ended September 30, 2022 and 2021:

The following table summarizes selected items from the statement of operations for the nine months ended September 30, 2022 and 2021.

	Nine Months Ended September 30,		Increase / (Decrease)
	2022	2021	
Revenues	\$ 76,384	\$ 73,450	\$ 2,934
Cost of goods sold	54,765	14,810	39,955
Gross profit	21,619	58,640	(37,021)
Operating expenses:			
General and administrative	1,148,100	1,466,954	(318,854)
Professional fees	380,801	679,141	(298,340)
Depreciation expense	34,540	29,937	4,603
Total operating expenses:	1,563,441	2,176,032	(612,591)
Operating loss	(1,541,822)	(2,117,392)	(575,570)
Total other expense	(753,317)	(343,698)	409,619
Net loss	\$ (2,295,139)	\$ (2,461,090)	\$ (165,951)

### Revenues

Revenues during the nine months ended September 30, 2022 were \$76,384, compared to \$73,450 during the nine months ended September 30, 2021, an increase of \$2,934, or 4%. Revenues increased slightly as we continued to shift our focus toward producing and selling oils.

### Cost of Goods Sold

Cost of goods sold for the nine months ended September 30, 2022 were \$54,765, compared to \$14,810 for the nine months ended September 30, 2021, an increase of \$39,955, or 270%. Cost of goods sold consists primarily of labor, agricultural raw materials, depreciation and overhead.

### General and Administrative Expenses

General and administrative expenses for the nine months ended September 30, 2022 were \$1,148,100, compared to \$1,466,954 during the nine months ended September 30, 2021, a decrease of \$318,854, or 22%. The expenses for the current period consisted primarily of compensation expenses, office rent, and travel costs. General and administrative expenses decreased primarily due to decreased stock-based compensation over the prior year. General and administrative expenses included non-cash, stock-based compensation of \$88,041 and \$510,468 during the nine months ended September 30, 2022 and 2021, respectively.

### Professional Fees

Professional fees for the nine months ended September 30, 2022 were \$380,801, compared to \$679,141 during the nine months ended September 30, 2021, a decrease of \$298,340, or 44%. Professional fees included non-cash, stock-based compensation of \$35,399 and \$384,283 during the nine months ended September 30, 2022 and 2021, respectively. Professional fees decreased primarily due to decreased stock-based compensation during the current period.

### Depreciation Expense

Depreciation expense for the nine months ended September 30, 2022 was \$34,540, compared to \$29,937 during the nine months ended September 30, 2021, an increase of \$4,603, or 15%. Depreciation expense increased as additional equipment was placed in service.

### Other Income (Expense)

Other expenses, on a net basis, for the nine months ended September 30, 2022 were \$753,317, compared to other expenses, on a net basis, of \$343,698 during the nine months ended September 30, 2021, an increase in net expenses of \$409,619, or 119%. Other expenses consisted of \$886,837 of interest expense, including \$361,921 of stock-based finance costs on the amortization of debt discounts, \$339,133 of stock-based commitment fees on debt and equity financing, and a loss on the sale of fixed assets of \$9,041, as partially offset by a gain of \$20,148 on the early extinguishment of our extraction facility lease in Colombia, \$1,000 of sublet income on our office space, a gain on early extinguishment of debt of \$121,372 on the forgiveness of a PPP Loan and \$41 of interest income, for the nine months ended September 30, 2022, compared to \$347,958 of interest expense, including \$286,345 of stock-based finance costs on the amortization of debt discounts, and a loss on disposal of fixed assets of \$17,563, as offset by \$19,500 of sublease income on sublet office space and \$2,323 of interest income during the nine months ended September 30, 2021.

### Net Loss

Net loss for the nine months ended September 30, 2022 was \$2,295,139, or \$0.03 per share, compared to \$2,461,090, or \$0.04 per share, during the nine months ended September 30, 2021, a decrease of \$165,951, or 7%. The net loss decreased primarily due to decreased stock-based compensation during the current period.

## Liquidity and Capital Resources

The following is a summary of the Company's cash flows provided by (used in) operating, investing, financing activities and effect of exchange rate changes on cash for the nine months ended September 30, 2022 and 2021:

	2022	2021
Operating Activities	\$ (1,124,967)	\$ (3,120,049)
Investing Activities	(36,851)	(268,223)
Financing Activities	1,117,581	4,068,938
Effect of Exchange Rate Changes on Cash	(6,820)	(10,919)
Net Increase (Decrease) in Cash	<u>\$ (51,057)</u>	<u>\$ 669,747</u>

### Net Cash Used in Operating Activities

During the nine months ended September 30, 2022, net cash used in operating activities was \$1,124,967, compared to net cash used in operating activities of \$3,120,049 for the nine months ended September 30, 2021. The cash used in operating activities was primarily attributable to our net loss.

### Net Cash Used in Investing Activities

During the nine months ended September 30, 2022, net cash used in investing activities was \$36,851, compared to net cash used in investing activities of \$268,223 for the nine months ended September 30, 2021. The cash used in investing activities consisted of purchases of fixed assets, as partially offset by proceeds received on the sale of fixed assets.

### Net Cash Provided by Financing Activities

During the nine months ended September 30, 2022, net cash provided by financing activities was \$1,117,581, compared to net cash provided by financing activities of \$4,068,938 for the nine months ended September 30, 2021. The current period consisted of \$1,717,581 of proceeds received on debt financing and \$150,000 of proceeds received on the sale of preferred stock, as partially offset by \$750,000 of repayments on debt, compared to \$947,000 of proceeds received on debt financing and \$3,577,505 received on the sale of preferred and common stock, less debt repayments of \$455,567, during the nine months ended September 30, 2021.

## **Ability to Continue as a Going Concern**

As of September 30, 2022, our balance of cash on hand was \$68,621, and we had negative working capital of \$2,268,606 and an accumulated deficit of \$22,212,027. We are too early in our development stage to project future revenue levels, and may not be able to generate sufficient funds to sustain our operations for the next twelve months. Accordingly, we may need to raise additional cash to fund our operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

In the event sales do not materialize at the expected rates, management would seek additional financing and would attempt to conserve cash by further reducing expenses. There can be no assurance that we will be successful in achieving these objectives; therefore, without sufficient financing it would be unlikely for the Company to continue as a going concern.

The condensed consolidated financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. The condensed consolidated financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern. Our ability to scale production and distribution capabilities and further increase the value of our brands, is largely dependent on our success in raising additional capital.

## **Off-Balance Sheet Arrangements**

We have no outstanding off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

## Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make assumptions, estimates and judgments that affect the amounts reported, including the notes thereto, and related disclosures of commitments and contingencies, if any. We have identified certain accounting policies that are significant to the preparation of our financial statements. These accounting policies are important for an understanding of our financial condition and results of operations. Critical accounting policies are those that are most important to the presentation of our financial condition and results of operations and require management's subjective or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments.

While our significant accounting policies are more fully described in notes to our consolidated financial statements appearing elsewhere in this Form 10-Q, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our reported financial results and affect the more significant judgments and estimates that we used in the preparation of our financial statements.

### Revenue Recognition

The Company recognizes revenue in accordance with ASC 606 — Revenue from Contracts with Customers. Under ASC 606, the Company recognizes revenue from the commercial sales of products, licensing agreements and contracts to perform pilot studies by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. The Company's sales to date have primarily consisted of the sale of seeds. These sales include multi-element arrangements whereby the Company collects 50% of the sale upon delivery of the sales, and the remaining 50% upon the completion of the harvest, whether the seeds result in a successful crop, or not. In addition, the Company has a right of first refusal to purchase products resulting from the harvest. At September 30, 2022, the Company had \$35,340 of deferred revenues and \$22,830 of deferred cost of goods sold, as included in other current assets on the balance sheet, that are expected to be recognized upon the customers' completion of their future harvests.

### Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. Our cannabis products consist of cannabis flower grown in-house, along with produced extracts.

### Stock-Based Compensation

The Company accounts for equity instruments issued to employees and non-employees in accordance with the provisions of ASC 718 Stock Compensation (ASC 718). All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date at which a commitment for performance by the counterparty to earn the equity instruments is reached because of sufficiently large disincentives for nonperformance.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide the information required by this Item

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2022. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were not effective at the reasonable assurance level.

### **Changes in Internal Control over Financial Reporting**

There have been no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) or in other factors that occurred during the period of our evaluation or subsequent to the date we carried out our evaluation which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any system of controls and procedures will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

We are not a party to any legal or administrative proceedings that we believe, individually or in the aggregate, would be likely to have a material adverse effect on our financial condition or results of operations.

### **ITEM 1A. RISK FACTORS**

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide the information required by this Item.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following issuances of equity securities by the Company during the three month period ended September 30, 2022 were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof and Regulation D thereunder:

#### Commitment Fee Shares

On September 15, 2022, the Company paid a commitment fee to AJB Capital in the form of 1,341,276 shares of common stock, restricted in accordance with Rule 144, in connection with the issuance of the Second AJB Note (defined above).

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

None.

## ITEM 6. EXHIBITS

Exhibit	Description
2.1	<a href="#"><u>Agreement and Plan of Merger dated February 21, 2019, among the Registrant, OWP Merger Subsidiary Inc. and OWP Ventures, Inc. (incorporated by reference to Exhibit 2.1 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on February 25, 2019)</u></a>
2.2	<a href="#"><u>Agreement and Plan of Merger dated October 11, 2021, between One World Pharma, Inc. and One World Products, Inc. (incorporated by reference to Exhibit 2.1 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on November 30, 2021)</u></a>
2.3	<a href="#"><u>Articles of Merger Pursuant to NRS 92A.200 as filed with the Nevada Secretary of State on November 23, 2021 (incorporated by reference to Exhibit 2.1 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on November 30, 2021)</u></a>
3.1	<a href="#"><u>Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on November 24, 2014)</u></a>
3.2	<a href="#"><u>Certificate of Amendment to Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 8, 2019)</u></a>
3.3	<a href="#"><u>Certificate of Amendment to Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 25, 2020)</u></a>
3.4	<a href="#"><u>Certificate of Designation of Series A Preferred Stock of the Registrant dated June 1, 2020 (incorporated by reference to Exhibit 3.4 of the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on June 26, 2020)</u></a>
3.5	<a href="#"><u>Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on November 24, 2014)</u></a>
3.6	<a href="#"><u>Certificate of Designation of Series B Preferred Stock of the Registrant dated February 2, 2021 (incorporated by reference to Exhibit 3.1 of the Form 8-K filed with the Securities and Exchange Commission on February 8, 2021)</u></a>
3.7	<a href="#"><u>Certificate of Amendment to Certificate of Designation of the Series B Preferred Stock of One World Products, Inc., Pursuant to NRS 78.1955, filed with the Secretary of State of the State of Nevada on August 2, 2022 (incorporated by reference to Exhibit 3.1 of the Form 8-K filed with the Securities and Exchange Commission on August 4, 2022)</u></a>
4.1	<a href="#"><u>Description of Securities (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form 10-K filed with the Securities and Exchange Commission on April 15, 2021)</u></a>
4.2	<a href="#"><u>Promissory Note of One World Pharma, Inc. in the principal amount of \$290,000 issued to AJB Capital Investments LLC, dated January 20, 2021 (incorporated by reference to Exhibit 4.1 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on January 25, 2021)</u></a>
4.3	<a href="#"><u>Promissory Note of One World Pharma, Inc. in the principal amount of \$750,000 issued to AJB Capital Investments LLC, dated September 24, 2021 (incorporated by reference to Exhibit 4.1 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on September 27, 2021)</u></a>
4.4	<a href="#"><u>Common Stock Purchase Warrant to purchase 1,500,000 shares of common stock of One World Pharma, Inc. issued to AJB Capital Investments LLC, dated September 24, 2021 (incorporated by reference to Exhibit 4.2 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on September 27, 2021)</u></a>
4.5	<a href="#"><u>Common Stock Purchase Warrant to purchase 2,000,000 shares of common stock of One World Pharma, Inc. issued to AJB Capital Investments LLC, dated September 24, 2021 (incorporated by reference to Exhibit 4.3 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on September 27, 2021)</u></a>
10.1	<a href="#"><u>Promissory Note between OWP Ventures, Inc. and Dr. Kenneth Perego, II, dated December 29, 2021 (incorporated by reference to Exhibit 10.1 of the Form 10-K filed with the Securities and Exchange Commission by One World Products, Inc. on April 15, 2022)</u></a>
10.2	<a href="#"><u>Addendum to Commercial Lease dated November 1, 2021, between Ripper Series, LLC and OWP Ventures, Inc. (incorporated by reference to Exhibit 10.2 of the Form 10-K filed with the Securities and Exchange Commission by One World Products, Inc. on April 15, 2022)</u></a>
10.3	<a href="#"><u>Commercial Lease dated December 2, 2018, between Larry R. Hauptert dba Rexco and One World Pharma S.A.S. (incorporated by reference to Exhibit 10.3 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on February 25, 2019)</u></a>
10.4	<a href="#"><u>Commercial Lease dated October 16, 2018, between Ripper Series, LLC and OWP Ventures, Inc. (incorporated by reference to Exhibit 10.4 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on February 25, 2019)</u></a>
10.5	<a href="#"><u>One World Pharma, Inc. 2019 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 25, 2020)</u></a>
10.6	<a href="#"><u>Form of Stock Option Grant Notice for grants under the 2019 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 25, 2020)</u></a>



10.7	<a href="#"><u>Form of Option Agreement for grants under the 2019 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 25, 2020)</u></a>
10.8	<a href="#"><u>Securities Purchase Agreement, dated September 24, 2021, between One World Pharma, Inc. and AJB Capital Investments LLC (incorporated by reference to Exhibit 10.1 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on September 27, 2021)</u></a>
10.9	<a href="#"><u>Security Agreement, dated September 24, 2021, between One World Pharma, Inc. and AJB Capital Investments LLC (incorporated by reference to Exhibit 10.2 of the Form 8-K filed with the Securities and Exchange Commission by One World Pharma, Inc. on September 27, 2021)</u></a>
10.10	<a href="#"><u>Commercial Lease Agreement dated November 26, 2021, between R&amp;B Inversiones S.A.S. and One World Pharma S.A.S. (incorporated by reference to Exhibit 10.10 of the Form 10-Q filed with the Securities and Exchange Commission by One World Products, Inc. on May 16, 2022)</u></a>
10.11	<a href="#"><u>Residential Lease Agreement dated February 14, 2020, between Grupo Empresarial OIKOS S.A.S. and One World Pharma S.A.S. (incorporated by reference to Exhibit 10.11 of the Form 10-Q filed with the Securities and Exchange Commission by One World Products, Inc. on May 16, 2022)</u></a>
10.12	<a href="#"><u>Purchase Agreement, dated September 1, 2022, between One World Products, Inc. and Tysadco Partners, LLC (incorporated by reference to Exhibit 10.1 of the Form 8-K filed with the Securities and Exchange Commission by One World Products, Inc. on September 7, 2022)</u></a>
10.13	<a href="#"><u>Securities Purchase Agreement, dated September 1, 2022, between One World Products, Inc. and Tysadco Partners, LLC (incorporated by reference to Exhibit 10.2 of the Form 8-K filed with the Securities and Exchange Commission by One World Products, Inc. on September 7, 2022)</u></a>
10.14	<a href="#"><u>Registration Rights Agreement, dated September 1, 2022, between One World Products, Inc. and Tysadco Partners, LLC (incorporated by reference to Exhibit 10.3 of the Form 8-K filed with the Securities and Exchange Commission by One World Products, Inc. on September 7, 2022)</u></a>
10.15*	<a href="#"><u>Convertible Promissory Note Purchase Agreement, dated September 16, 2022, between One World Products, Inc. and Dr. John McCabe</u></a>
10.16*	<a href="#"><u>Convertible Note, dated September 16, 2022, between One World Products, Inc. and Dr. John McCabe</u></a>
31.1*	<a href="#"><u>Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a)</u></a>
31.2*	<a href="#"><u>Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a)</u></a>
32.1*	<a href="#"><u>Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
32.2*	<a href="#"><u>Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Schema Document
101.CAL*	Inline XBRL Calculation Linkbase Document
101.DEF*	Inline XBRL Definition Linkbase Document
101.LAB*	Inline XBRL Labels Linkbase Document
101.PRE*	Inline XBRL Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 14, 2022

One World Products, Inc.

/s/ Isiah L. Thomas III

Isiah L. Thomas III  
Chief Executive Officer  
(Principal Executive Officer)

/s/ Timothy Woods

Timothy Woods  
Chief Financial Officer  
(Principal Financial Officer)

## ONE WORLD PRODUCTS, INC.

## CONVERTIBLE PROMISSORY NOTE PURCHASE AGREEMENT

THIS CONVERTIBLE PROMISSORY NOTE PURCHASE AGREEMENT (this “*Agreement*”), dated as of September 16, 2022 (the “*Effective Date*”), is entered into by and among One World Products, Inc., a Nevada corporation (the “*Company*”), and Dr. John McCabe (“*Investor*”).

## RECITALS

**WHEREAS**, the Company has agreed to issue and sell, and Investor has agreed to purchase, a Convertible Promissory Note of the Company in the principal amount of \$750,000, in the form attached as Exhibit A hereto (the “*Note*”), subject to the conditions specified herein.

## AGREEMENT

**NOW, THEREFORE**, in consideration of the foregoing, and the representations, warranties, covenants and conditions set forth below, the Company and Investor, intending to be legally bound, hereby agree as follows:

**1. Authorization of Note.** The Company has authorized the issuance and sale of the Note in accordance with the terms hereof.

**2. Sale and Issuance of the Note.** At the Closing, the Company shall sell and issue the Note to Investor, and Investor shall purchase and acquire the Note from the Company, upon the terms and conditions set forth herein.

**3. Closing.**

(a) Closing. The closing of the sale and purchase of the Note (the “*Closing*”) shall be held on the Effective Date concurrently with the execution of this Agreement.

(b) Delivery. At the Closing (i) the Investor shall make a loan to the Company in the principal amount of the Note, as set forth on the signature page hereto (the “*Principal Amount*”) and in accordance with Section 3(c) below; and (ii) the Company shall issue and deliver to the Investor the Note in the Principal Amount.

(c) Wire of Principal Amount. The Principal Amount of Note shall be paid to the Company by delivery of a check made payable to One World Products, Inc.

**4. Representations and Warranties of the Company.** The Company represents and warrants to the Investor as follows:

(a) Organization, Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. The Company has the requisite corporate power to own and operate its properties and assets and to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified and is authorized to do business as a foreign entity and is in good standing in each jurisdiction in which it does business, except where the failure to so qualify would not have a material adverse effect on the business, financial condition, results of operations, assets or liabilities of the Company.

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(b) Corporate Power. The Company has all requisite corporate power to execute and deliver this Agreement and the Note (collectively the “*Note Documents*”) and to carry out and perform its obligations under the terms of the Note Documents.

(c) Authorization. All corporate action on the part of the Company, its directors and its stockholders necessary for the authorization, execution, delivery and performance of this Agreement by the Company and the performance of the Company’s obligations hereunder, including the issuance and delivery of the Note. The Note Documents, when executed and delivered by the Company, shall constitute valid and binding obligations of the Company enforceable in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency, the relief of debtors and, with respect to rights to indemnity, subject to federal and state securities laws.

(d) Offering. Assuming the accuracy of the representations and warranties of Investor contained in Section 5 hereof, the offer, issue, and sale of the Note are and will be exempt from the registration and prospectus delivery requirements of the Securities Act of 1933, as amended (the “*Act*”), and have been registered or qualified (or are exempt from registration and qualification) under the registration, permit, or qualification requirements of all applicable state securities law.

**5. Representations and Warranties of the Investor to the Company**. Investor represents and warrants to the Company that:

(a) Purchase for Own Account. Investor represents that it is acquiring the Note solely for its own account and beneficial interest for investment and not for sale or with a view to distribution of the Note or any securities issuable upon conversion thereof (“*Securities*”) or any part thereof, has no present intention of selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the same, and does not presently have reason to anticipate a change in such intention.

(b) Information and Sophistication. Without lessening or obviating the representations and warranties of the Company set forth in Section 4, Investor hereby: (i) acknowledges that it has received all the information it has requested from the Company and it considers necessary or appropriate for deciding whether to acquire the Note, (ii) represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Note and to obtain any additional information necessary to verify the accuracy of the information given to Investor and (iii) further represents that it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of this investment.

(c) Ability to Bear Economic Risk. Investor acknowledges that investment in the Note involves a high degree of risk, and represents that it is able, without materially impairing its financial condition, to hold the Note for an indefinite period of time and to suffer a complete loss of its investment.

(d) Further Limitations on Disposition. Without in any way limiting the representations set forth above, Investor further agrees not to make any disposition of all or any portion of the Securities unless and until:

(i) There is then in effect a registration statement under the Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii) Investor shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, Investor shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration under the Act or any applicable state securities laws, provided that no such opinion shall be required for dispositions in compliance with Rule 144.

(e) Accredited Investor Status. Investor is an “accredited investor” as such term is defined in Rule 501 under the Act.

**6. Ownership Limitation.** The Company shall not permit any conversion of the Series B Preferred Stock issuable upon conversion of the Note, and the Investor shall not have the right to convert any portion of such Series B Preferred Stock, to the extent that, after giving effect to such conversion, the Investor (together with its affiliates) would beneficially own in excess of 4.99% of the number of shares of Common Stock of the Company outstanding on such date (the "Beneficial Ownership Limitation") as calculated pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended, and Rule 13d-3 promulgated thereunder. Upon the written or oral request of the Investor, the Company shall promptly confirm orally or in writing to the Investor the number of shares of Common Stock then outstanding. The Investor and the Company shall each cooperate in good faith in the determinations required hereby and the application hereof. The Investor's written certification to the Company of the applicability of the Beneficial Ownership Limitation, and the resulting effect thereof hereunder at any time, shall be conclusive with respect to the applicability thereof and such result absent manifest error.

**7. Miscellaneous.**

(a) **Binding Agreement.** The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, expressed or implied, is intended to confer upon any third party any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(b) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without giving effect to conflicts of laws principles.

(c) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

(d) **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(e) **Notices.** All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed telex, electronic mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to Investor at its address set forth on the signature page, or at such other addresses as Investor may designate by ten (10) days' advance written notice to the other party hereto. All communications to the Company shall be sent to 2332 Galiano Street, 2nd Floor, Coral Gables, Florida 33134, Attn: Timothy Woods, or at such other address as the Company may designate by ten (10) days' advance written notice to the Investor.

(f) **Modification; Waiver.** No modification or waiver of any provision of this Agreement or consent to departure therefrom shall be effective unless in writing and approved by the Company and Investor.

(g) **Expenses.** The Company and each Investor shall each bear its respective expenses and legal fees incurred with respect to this Agreement and the transactions contemplated herein.

(h) **Delays or Omissions.** It is agreed that no delay or omission to exercise any right, power or remedy accruing to Investor upon any breach or default of the Company under this Agreement or the Note shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character by Investor of any breach or default under this Agreement, or any waiver by Investor of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in writing and that all remedies, either under this Agreement, or by law or otherwise afforded to the Investor, shall be cumulative and not alternative. If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and disbursements in addition to any other relief to which such party may be entitled.

(i) **Entire Agreement.** This Agreement and the Exhibits hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other party in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein.

*[Signature Pages Follow]*

IN WITNESS WHEREOF, the parties have executed this Note Purchase Agreement as of the date first written above.

**COMPANY:**

**ONE WORLD PRODUCTS, INC.**

By: /s/ Isiah L. Thomas, III

Name: Isiah L. Thomas, III

Title: Chief Executive Officer

**INVESTOR:**

/s/ Dr. John McCabe

Dr. John McCabe

Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Signature Page to Note Purchase Agreement**

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**Exhibit A**

Form of Convertible Promissory Note

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THIS CONVERTIBLE PROMISSORY NOTE AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE HOLDER SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION.

### CONVERTIBLE PROMISSORY NOTE

\$750,000

September 16, 2022

For value received ONE WORLD PRODUCTS, INC., a Nevada corporation (the “**Company**”) promises to pay to the order of Dr. John McCabe (“**Holder**”) the principal sum of SEVEN HUNDRED FIFTY THOUSAND DOLLARS (750,000.00), with interest on the outstanding principal amount at the rate of eight percent (8%) per annum, on September 16, 2024 (the “**Maturity Date**”). Interest shall commence with the date hereof and shall accrue on the outstanding principal amount until paid in full or this Note has been converted as provided below. Interest shall be computed on the basis of a year of 365 days for the actual number of days elapsed.

1. All payments of interest and principal shall be in lawful money of the United States of America. All payments shall be applied first to accrued interest, and thereafter to principal.

2. (a) The outstanding principal balance of this Note, together with any accrued and unpaid interest thereon, or any portion thereof, may, at the option of the Holder, be converted into shares of the Series B Preferred Stock of the Company (“**Series B Stock**”) at any time at a price per share of Series B Stock of \$15.00, as equitably adjusted for any stock split or stock dividends effected after the date hereof (the “**Conversion Price**”).

(b) In case of any reorganization, consolidation or merger involving the Company prior to the Maturity Date, in which the stockholders of the Company receive securities of another entity (including any parent company of the company with which the Company merges or is merged into) (the “**Successor Issuer**”) in exchange for their shares of Series B Stock, the Successor Issuer shall assume the obligations of the Company under this Note, and this Note shall thereafter be convertible into such securities of the Successor Issuer as the Holder would have been entitled to receive upon consummation of such reorganization, consolidation or merger, if the Holder had converted all of the principal and interest outstanding under this Note immediately prior thereto at the Conversion Price.

(c) Before the Holder shall be entitled to convert this Note pursuant to this Section 2, the Holder shall give written notice to the Company in the form of Annex A hereto at the Company’s principal corporate office, by email, facsimile or otherwise of the election to convert the same and shall state therein the name or names in which the shares of Series B Stock are to be issued. The Company shall, as soon as practicable thereafter, issue and deliver to Holder or to the nominee or nominees of Holder, a certificate or certificates for the Series B Stock to which the Holder shall be entitled as aforesaid. Conversion shall be deemed to have been effected on the date when delivery of notice of an election to convert. All Series B Stock which may be issued upon conversion of the Note will, upon issuance, be duly issued, fully paid and non-assessable and free from all taxes, liens, and charges with respect to the issuance thereof.



3. This Note may be prepaid at any time without the consent of the Holder.

4. The Company shall pay all reasonable attorneys' fees and court costs incurred by the Holder in enforcing and collecting this Note.

5. The Company hereby waives demand, notice, presentment, protest and notice of dishonor.

6. This Note shall be governed by and construed under the laws of the State of Nevada, as applied to agreements among Nevada residents, made and to be performed entirely within the State of Nevada, without giving effect to conflicts of laws principles.

7. This Note may be transferred only upon its surrender to the Company for registration of transfer, duly endorsed, or accompanied by a duly executed written instrument of transfer in form satisfactory to the Company. Thereupon, this Note shall be reissued to, and registered in the name of, the transferee, or a new Note for like principal amount and interest shall be issued to, and registered in the name of, the transferee. Interest and principal shall be paid solely to the registered holder of this Note. Such payment shall constitute full discharge of the Company's obligation to pay such interest and principal.

**ONE WORLD PRODUCTS, INC.**

By: /s/ Isiah L. Thomas, III

Name: Isiah L. Thomas, III

Title: Chief Executive Officer

**INVESTOR**

By: /s/ Dr. John McCabe

Name: Dr. John McCabe

ANNEX A

CONVERSION NOTICE

The undersigned hereby elects to convert principal and/or interest under the Convertible Promissory Note, issued as of September 16, 2022 (the “**Note**”) of One World Products, Inc., a Nevada corporation (the “**Company**”), into shares of Series B Preferred Stock (the “**Series B Stock**”), of the Company according to the conditions hereof and the Note, as of the date written below. If shares of Series B Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion: \_\_\_\_\_

Principal Amount of Note to be Converted: \_\_\_\_\_

Amount of Interest of Note to be Converted: \_\_\_\_\_

Number of shares of Series B Stock to be issued:

\_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address for Delivery of Stock Certificates:

\_\_\_\_\_

**CERTIFICATIONS PURSUANT TO  
RULE 13A-14(A) OR RULE 15D-14(A),  
AS ADOPTED PURSUANT TO  
RULE 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Isiah L. Thomas III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of One World Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/ Isiah L. Thomas III*

Isiah L. Thomas III  
Chief Executive Officer

Dated: November 14, 2022

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**CERTIFICATIONS PURSUANT TO  
RULE 13A-14(A) OR RULE 15D-14(A),  
AS ADOPTED PURSUANT TO  
RULE 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy Woods, certify that:

1. I have reviewed this quarterly report on Form 10-Q of One World Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/ Timothy Woods*

Timothy Woods  
Chief Financial Officer

Dated: November 14, 2022

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of One World Products, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2022 (the "Report") I, Isiah L. Thomas III, Chief Executive Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2022

*/s/ Isiah L. Thomas III*

Name: Isiah L. Thomas III

Title: Chief Executive Officer

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of One World Products, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2022 (the "Report") I, Timothy Woods, Principal Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2022

*/s/ Timothy Woods*

Name: Timothy Woods

Title: Chief Financial Officer

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