Organto Foods Inc.
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Canada
www.organto.com

ORGANTO FOODS INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended
December 31, 2021

(Stated in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Organto Foods Inc.

Opinion

We have audited the consolidated financial statements of Organto Foods Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive loss, cash flows and changes in shareholders equity (deficit) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 2, 2022

Organto Foods Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2021 ($)	December 31, 2020 ($)
Assets		
Current assets		
Cash	11,869,999	4,133,730
Receivables (note 5)	3,161,905	2,156,183
Inventories (note 6)	316,324	40,163
Prepaid expenses (note 7)	2,715,883	641,390
	18,064,111	6,971,466
Non-current assets		
Investment securities (note 8)	1,051,615	1,040,582
Intangible assets (note 9)	1,086,774	-
Goodwill (note 9)	757,439	-
	20,959,939	**8,012,048**
Liabilities and shareholders' equity (deficit)		
Current liabilities		
Accounts payable and accrued liabilities	5,693,632	4,095,424
Short-term loans payable (note 10)	-	295,954
CEBA loan (note 12)	60,000	-
Convertible debentures (note 13)	2,627,670	-
	8,381,302	4,391,378
Non-current liabilities		
Bank loan (note 11)	-	829,454
CEBA loan (note 12)	-	60,000
Convertible debentures (note 13)	5,754,727	2,969,127
Deferred income taxes (note 24)	131,500	-
Total liabilities	**14,267,529**	**8,249,959**
Shareholders' equity (deficit)		
Share capital (note 14(a))	33,854,516	24,344,434
Shares to be issued (note 14(b))	797,770	72,006
Reserves (note 14(f))	6,604,958	3,569,819
Deficit	(34,564,834)	(28,224,170)
Total shareholders' equity (deficit)	**6,692,410**	**(237,911)**
	20,959,939	**8,012,048**

Nature of operations and going concern (note 1)
Commitments (note 22)
Subsequent events (note 25)

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

Organto Foods Inc.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended December 31 2021 ($)	Year ended December 31 2020 ($)
Sales	19,518,647	11,448,036
Cost of sales (note 15)	(17,532,017)	(10,375,094)
Gross profit	1,986,630	1,072,942
Selling, general and administration expenses (note 16)	(2,278,294)	(838,212)
Management fees	(962,988)	(636,165)
Labour costs and benefits	(2,426,058)	(1,137,100)
Stock-based compensation (notes 14(b), 14(c) and 14(d))	(1,320,909)	(912,532)
	(5,001,619)	(2,451,067)
Interest expense and accretion, net (notes 11 and 13)	(971,287)	(424,371)
Other loss (note 17)	(139,159)	(48,243)
Realized loss on sale of investment securities (note 8)	(141,164)	-
Unrealized gain (loss) on investment securities (note 8)	587,209	(1,096,807)
Foreign exchange loss	(101,741)	(26,269)
Loss on settlement of debt (note 18)	(572,903)	(2,933,022)
Financing costs	-	(74,966)
Net loss for the year	(6,340,664)	(7,054,745)
Other comprehensive loss for the year:		
Foreign currency translation	(56,424)	(104,073)
Comprehensive loss for the year	**(6,397,088)**	**(7,158,818)**
Loss per share:		
Basic and diluted	(0.02)	(0.04)
Shares used in computing loss per share:		
Basic and diluted	257,097,090	181,180,859

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

Organto Foods Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31 2021 ($)	2020 ($)
Operating activities		
Net loss for the year	(6,340,664)	(7,054,745)
Add back:		
Loss on sale of investment securities	141,164	-
Items not involving cash (note 20)	2,420,494	5,642,261
	(3,779,006)	(1,412,484)
Changes in non-cash working capital (note 20)	(2,136,635)	(573,171)
Cash used in operating activities	(5,915,641)	(1,985,655)
Investing activities		
Cash paid to purchase Fresh Organic Choice BV	(230,475)	-
Cash acquired on purchase of Fresh Organic Choice BV	70,229	-
Cash paid to purchase Beeorganic BV	(855,000)	-
Cash acquired on purchase of Beeorganic BV	188,827	-
Proceeds from sale of investment securities	469,012	-
Cash used in investing activities	(357,407)	-
Financing activities		
Proceeds from convertible debentures, net of issue costs	7,385,373	3,368,943
Proceeds from private placement of shares, net of issue costs	5,948,060	1,443,895
Proceeds from exercise of warrants	1,155,320	465,145
Proceeds from exercise of stock options	55,250	-
Proceeds from bank loan, net of issue costs	-	2,198,865
Repayments of bank loan	-	(672,913)
Proceeds from short term loans	-	449,920
Repayments of short term loans	(295,954)	(777,323)
Proceeds from CEBA loan	-	60,000
Interest paid	(255,916)	(316,397)
Cash from financing activities	13,992,133	6,220,135
Effect of foreign exchange on cash	17,184	(155,315)
Increase in cash	7,736,269	4,079,165
Cash, beginning of year	4,133,730	54,565
Cash, end of year	**11,869,999**	**4,133,730**

Supplemental cash flow information (note 20)

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

Organto Foods Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the Years Ended December 31, 2021 and 2020

	Number of shares	Share capital ($)	Shares to be issued (cancelled) ($)	Reserves ($)	Deficit ($)	Total ($)
Balance at January 1, 2020	165,016,934	17,061,697	(440,494)	2,737,436	(21,169,425)	(1,810,786)
Shares issued:						
Private placement	30,077,900	1,503,895	-	-	-	1,503,895
Conversion of debentures	13,306,000	665,300	-	-	-	665,300
To settle accounts payable	990,795	84,080	-	-	-	84,080
To settle bank loan	27,100,000	4,471,500	-	-	-	4,471,500
Exercise of warrants	7,156,322	627,962	-	-	-	627,962
Warrants issued:						
Private placement	-	(70,000)	-	140,157	-	70,157
Loan extension	-	-	-	70,500	-	70,500
8% credit facility	-	-	-	30,109	-	30,109
Conversion option of convertible debentures	-	-	-	295,658	-	295,658
Stock-based compensation	-	-	512,500	400,032	-	912,532
Comprehensive loss for the year	-	-	-	(104,073)	(7,054,745)	(7,158,818)
Balance at December 31, 2020	**243,647,951**	**24,344,434**	**72,006**	**3,569,819**	**(28,224,170)**	**(237,911)**
Shares issued:						
Private placement	18,565,062	5,948,060	-	-	-	5,948,060
Purchase of Fresh Organic Choice BV	839,570	179,495	-	-	-	179,495
Conversion of debentures	2,839,995	510,753	-	-	-	510,753
To settle bank loan	3,210,500	1,589,198	-	-	-	1,589,198
Exercise of stock options	480,000	55,250	-	-	-	55,250
Exercise of warrants	11,676,932	1,155,320	-	-	-	1,155,320
Shares to be issued:						
Purchase of Beeorganic BV	-	-	402,816	-	-	402,816
Purchase of ZMS business	-	-	394,954	-	-	394,954
Shares cancelled as part of sale of processing plant	(5,873,357)	(440,494)	440,494	-	-	-
Convertible debenture offering:						
Warrants issued	-	-	-	258,888	-	258,888
Conversion option	-	-	-	1,779,180	-	1,779,180
Financing costs	-	-	-	(267,414)	-	(267,414)
Stock-based compensation	2,000,000	512,500	(512,500)	1,320,909	-	1,320,909
Comprehensive loss for the year	-	-	-	(56,424)	(6,340,664)	(6,397,088)
Balance at December 31, 2021	**277,386,653**	**33,854,516**	**797,770**	**6,604,958**	**(34,564,834)**	**6,692,410**

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

1. Nature of operations and going concern

Organto Foods Inc. (“Organto” or “the Company”) is engaged in the sourcing, processing, packaging, distribution and marketing of fresh organic and value-added vegetable and fruit products. The Company employs an asset-light business model to provide year-round supply of a number of organic and specialty fruit and vegetable products sourced from a global supply base and currently marketed to customers in a variety of European countries. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the stock symbol “OGO”, on the OTCQB under the stock symbol “OGOFF” and on the Frankfurt Stock Exchange under the stock symbol “OGF”.

The Company’s head office and principal address is located at 1090 Hamilton Street, Vancouver, British Columbia, V6B 2R9, Canada.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. Since then millions of cases of the disease have been identified around the world, including regions that are important to the Company’s business in terms of sales, product supply and other aspects of its supply chain. The Company has continued to operate during the outbreak. Essential food supply chains have been maintained in these difficult times, although not without their issues due to logistics and labor challenges, and the Company has continued to work with its supply partners and customers to bring product to market. As the coronavirus pandemic plays out around the world, the full impact on the Company’s business from this is unknown at this time and difficult to predict. An extended pandemic outbreak including the potential of additional waves in many countries already impacted, or dramatic increase in actions taken by Governments to control transmission of the virus could cause the Company’s key third party suppliers or the Company itself to temporarily close, which could lead to a shortage of raw materials and finished products. Also, if one or more of the Company’s key customers were required to close for an extended period, the Company might not be able to ship products to them, and consumers may decrease their level of purchasing activity, which would also adversely impact the Company’s net sales. Economic sanctions implemented in 2022 by the European Union and other countries in response to the Russia/Ukraine conflict will also have an economic impact on the Company. Sales to customers in Russia represented less than 5% of total 2021 sales and while products initially meant for sale in Russia will be available for sale elsewhere during the period that the sanctions remain in place, their sale can not be assured. Any of the foregoing events or other unforeseen consequences could materially adversely affect the Company’s business, results of operations, financial condition and/or cash flows.

These consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values of assets and liabilities may be required. The operations of the Company have historically been funded by the issue of share capital, bank loans, short-term loans and convertible loans. At December 31, 2021, the Company had working capital of $9,682,809 (December 31, 2020 - $2,580,088) and an accumulated deficit of $34,564,834 (December 31, 2020 - $28,224,170). Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing as needed, continued financial support from related parties, and ultimately on generating future profitable operations. The factors described indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Certain amounts in the prior year have been reclassified to conform to the current year’s presentation.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on May 2, 2022.

(b) Basis of measurement

These consolidated financial statements have been prepared using the historical cost basis, except for certain assets and liabilities measured at fair value as required by IFRS pronouncements. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

Entity	Location	Ownership interest	Status
Organto Europe B.V.	Netherlands	100%	Consolidated subsidiary
Fresh Organic Choice B.V.	Netherlands	100%	Consolidated subsidiary
Beorganic B.V.	Netherlands	100%	Consolidated subsidiary
Organto de Mexico, S.A.	Mexico	100%	Consolidated subsidiary
Organto Argentina S.A.	Argentina	100%	Consolidated subsidiary
Organto Guatemala, S.A.	Guatemala	100%	Consolidated subsidiary

All inter-company transactions and balances are eliminated on consolidation.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

(d) Use of estimates and judgments

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the 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. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is risk of material adjustments to assets and liabilities in future accounting periods include the fair value of the Company's investment in securities, estimates of useful lives of long-lived assets, the valuation of inventory, collectability of accounts receivable, financial liabilities, share-based payments, share-based compensation and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in preparing the Company's financial statements include the assumption that the Company will continue as a going concern, classification of expenditures and the classification of financial instruments.

3. Significant accounting policies

(a) Revenue recognition

Sales are recognized when control of the products has transferred to the Company's customers, being when the products are shipped to the customer. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Once products are delivered to the Company's customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with credit terms standard for the market.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value. The Company's inventory is comprised of finished goods. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(c) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Canadian dollars. The functional currencies are as follows:

Entity	**Functional currency**
Organto Foods Inc.	Canadian dollar
Organto Europe B.V.	European euro
Fresh Organic Choice B.V.	European euro
Beeorganic B.V.	European euro
Organto de Mexico, S.A.	Mexican peso
Organto Argentina S.A.	Argentine peso
Organto Guatemala, S.A.	Guatemalan quetzal

The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income (loss) in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:
The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

(d) Impairment of long-lived assets

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the statement of income (loss).

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reduced if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(e) Financial instruments

Classification

The Company classifies its financial instruments at fair value through profit and loss ("FVTPL"), fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS:

Financial assets/liabilities	**IFRS 9 Classification**
Cash	FVTPL
Accounts receivables	Amortized cost
Investment in securities	FVTPL
Accounts payable	Amortized cost
Loans payable	Amortized cost
Convertible debentures	Amortized cost

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in net earnings in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

(f) Finance income and expenses

Finance income comprises interest income from cash accounts and is recognized in profit or loss on an accrual basis.

Interest expense comprises interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Interest expense is shown net of interest income received.

(g) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred income taxes are accounted for using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are recognized for the tax consequences of temporary differences by applying substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

The effect on deferred taxes for a change in tax rates is generally recognized in income in the period that includes the substantive enactment.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Current and deferred tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

(h) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The calculation of diluted loss per share assumes that outstanding options and warrants that are in the money are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

(i) Share-based payments

The Company grants share-based awards, including options, as an element of compensation to directors, officers, employees and service providers.

The Company uses the Black-Scholes Option Pricing Model to measure the fair value for all share options granted, modified or settled during the period. Compensation expense is recorded based on the fair value of the award at the grant date, amortized over the vesting period. Each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received, together with any related amount in share-based payments reserve, are credited to share capital.

(j) Investment securities

Investment securities are recorded at fair value and gains and losses are recognized in profit or loss. Realized gains and losses from the sale of investment securities are recorded as the difference between proceeds and their carrying value. Unrealized gains and losses from period-end revaluations are calculated using the period-end closing prices as traded on recognized stock exchanges when available, or estimated using a combination of the price of the most recent funding involving financing from external investors and expected proceeds. The fair value of any investment securities subject to trading restrictions is discounted to reflect these trading restrictions.

(k) Intangible assets

Intangible assets identified in a business acquisition are stated initially at fair value. Intangible assets are then measured net of accumulated amortization and any impairment losses. Trade names are being amortized over 5 years and customer and supplier relationships over 10 years. Amortization is charged to profit or loss on a straight line basis over the estimated useful lives of the assets.

Goodwill represents the excess of the consideration paid over the fair value of the net identifiable assets acquired. Goodwill is not being amortized.

(Expressed in Canadian Dollars)

Goodwill is tested for impairment at least annually. An impairment loss is recognized in the statement of profit or loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Certain amounts in the prior year's numbers have been restated to conform to the current years presentation.

4. New accounting standards

The Company did not adopt any new accounting standard changes or amendments in the current year that had a material impact on the Company's financial statements.

5. Receivables

	December 31, 2021 ($)	December 31, 2020 ($)
Trade receivables	2,877,709	861,446
VAT recoverable	153,971	2,471
Insurance claims receivable	-	35,973
Other	130,225	15,313
	3,161,905	**915,203**

6. Inventories

	December 31, 2021 ($)	December 31, 2020 ($)
Finished goods	316,324	40,163
	316,324	**40,163**

7. Prepaid expenses

	December 31, 2021 ($)	December 31, 2020 ($)
Advances to third-party producers	2,699,216	635,223
Prepaid insurance	6,667	6,167
Other advances and retainers	10,000	-
	2,715,883	**641,390**

8. Investment securities

In June 2019 Organto entered into a share purchase agreement ("the Agreement") to sell its shares of Medicannabis S.A.S. ("Medicannabis") and related intellectual property ("IP") consisting of licenses and seed and cultivar rights to Xebra Brands Ltd. ("Xebra") for a combination of shares of Xebra, cash, forgiveness of debt and a right of first refusal ("ROFR") to distribute Xebra's cannabis products throughout Europe. Xebra is an emerging, privately held Canadian cannabis company developing high-margin cannabis-based consumer products, with a major focus on cannabis-infused beverages. Xebra's common shares were listed on the Canadian Securities Exchange in October 2021 under the trading symbol XBRA.

Under the terms of the Agreement, Organto, together with the former shareholders and certain advisers of Medicannabis, received a total of 10,000,000 common shares of Xebra, with Organto receiving 7,124,630 common shares and the former shareholders and advisers of Medicannabis receiving 2,875,370 common shares. The Company received shareholder approval and TSXV acceptance of this transaction in October 2019 and final completion of the transaction occurred in December 2019. Upon receipt of Xebra shares in December 2019, the former shareholders and advisers of Medicannabis returned the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis in November 2018 and these shares were cancelled.

During the second quarter of 2021 the Company returned 514,625 shares of Xebra to Xebra for proceeds of $10,292. No gain or loss was realized on this transfer as the proceeds were equal to the carrying value of the shares.

Also during the second quarter of 2021 the Company sold its ROFR to Xebra for proceeds of 200,000 common shares of Xebra. No value was ever attributed to the ROFR given the uncertainty of when or if Organto could begin profitably distributing Xebra products in Europe. A value of $0.17 per share was used for the shares received and $34,000 was recorded as other income in the second quarter.

During the fourth quarter of 2021 the Company realized a loss of $141,164 when it sold 3,528,727 shares of Xebra for proceeds of $458,720.

At December 31, 2021 the Company held 3,281,278 common shares of Xebra, all of which are subject to trading restrictions that expire between March 2022 and September 2023. At December 31, 2021 the Company revalued the Xebra shares and their carrying value of $1,051,615 at December 31, 2021 represents a discount to their market value of $1,246,886 to reflect these trading restrictions. The Company recognized a net revaluation gain of $587,209 for revaluations done in 2021. Subsequent to December 31, 2021 the market value of the Xebra shares declined approximately 50%.

As they were not yet publicly traded at December 31, 2020, the fair value of the Xebra shares was estimated using a combination of the price of the most recent funding involving financing from external investors and expected proceeds for a total carrying value of $1,040,582 at December 31, 2020. The Company recognized a revaluation loss of $1,096,807 upon the December 31, 2020 revaluation.

9. Intangible assets

Intangible assets include the trade name and client relationships acquired when the Company purchased 100% of the outstanding shares of both Fresh Organic Choice BV (“Fresh Organic Choice”) and Beeorganic B.V. (“Beeorganic”) as well as the operating business of Zimbabwe Marketing Services B.V. (“ZMS”). Trade names are being amortized over 5 years and customer and supplier relationships over 10 years. Their amortization is included in selling, general and administrative expenses on the consolidated statement of comprehensive loss.

(Expressed in Canadian Dollars)

	Intangible assets			
	Trade names ($)	Customer and supplier lists ($)	Total ($)	Goodwill ($)
Cost				
Balance, January 1, 2021	-	-	-	-
Acquisition of subsidiaries	66,070	1,064,767	1,130,837	755,200
Foreign exchange	-	3,464	3,464	2,239
At December 31, 2021	**66,070**	**1,068,231**	**1,134,301**	**757,439**
Accumulated amortization				
Balance, January 1, 2021	-	-	-	-
Amortization	(12,663)	(34,867)	(47,530)	-
Foreign exchange	-	3	3	-
At December 31, 2021	**(12,663)**	**(34,864)**	**(47,527)**	**-**
Net carrying value at December 31, 2021	**53,407**	**1,033,367**	**1,086,774**	**757,439**

In January 2021 the Company purchased 100% of the outstanding shares of Fresh Organic Choice, a privately held Dutch corporation and a provider of a wide range of year-round fresh cut organic herbs, marketed under the Fresh Organic Choice brand and in private label formats and sold throughout Europe. Purchase consideration was made up of the payment of 150,000 euros in cash, the issuance of 839,570 common shares of Organto with a fair value of $179,495 and an earn-out to the former owner of up to 100,000 euros based on pre-established growth targets to be attained over the next three years. The common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

In November 2021 the Company purchased 100% of the outstanding shares of Beeorganic, a privately held Dutch corporation and a year-round provider of organic bananas which are sold throughout Europe. Purchase consideration was made up of the payment of 600,000 euros in cash, the issuance of 1,579,670 common shares of Organto with a fair value of $402,816 and an earn-out to a former owner of up to 150,000 euros based on pre-established growth targets to be attained over the next three years. The common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

In November 2021 the Company purchased the operating assets, including customer and supplier relationships and certain trademark applications, of ZMS, a privately held Dutch corporation controlled by Organto's co-CEO and another senior member of Organto's European management team. ZMS sells non-GMO (genetically modified organism) and organic fruits and vegetables sourced from a number of African-based growing regions to a variety of European customers. Purchase consideration was made up of the issuance of 1,645,643 common shares of Organto with a fair value of $394,954 which are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

(Expressed in Canadian Dollars)

The allocation of consideration paid was as follows:

	Fresh Organic Choice ($)	Beeorganic ($)	ZMS ($)	Total ($)
Cash paid	230,475	855,000	-	1,085,475
Shares issued	179,496	-	-	179,496
Shares to be issued	-	402,816	394,954	797,770
Fair value of earn-out payments	117,553	43,315	-	160,868
	527,524	**1,301,131**	**394,954**	**2,223,609**
Net assets acquired:				
Cash	70,229	188,827	-	259,056
Accounts receivable	288,935	451,909	-	740,844
VAT receivable	15,156	26,114	-	41,270
Inventories	33,726	176,391	-	210,117
Intangible assets	324,202	566,723	239,912	1,130,837
Goodwill	176,713	423,445	155,042	755,200
Deferred income tax liability	(45,583)	(85,917)	-	(131,500)
Accounts payable and accrued liabilities	(335,854)	(446,361)	-	(782,215)
	527,524	**1,301,131**	**394,954**	**2,223,609**

The results of operations of Fresh Organic Choice are included in the consolidated financial statements of the Company from January 14, 2021, that date being the date on which Organto's control of Fresh Organic Choice commenced. Fresh Organic Choice generated revenues of $2,803,099 and a net profit of $122,685 in the period January 14, 2021 to December 31, 2021 and unaudited revenues of $2,926,000 and an unaudited net profit of $129,000 for all of 2021. The fair value of the earn-out payments was calculated using the present value of the anticipated future payments, discounted at 31% and is recorded in accrued liabilities. Based on the historical performance of Fresh Organic Choice, the earn-out targets are expected to be fully achieved in the first year and the carrying value of the earn-out payments will be accreted over the next year or until fully paid.

The results of operations of Beeorganic are included in the consolidated financial statements of the Company from November 17, 2021, that date being the date on which Organto's control of Beeorganic commenced. Beeorganic generated revenues of $610,281 and a net loss of $31,042 in the period November 17, 2021 to December 31, 2021 and unaudited revenues of $5,765,000 and an unaudited net profit of $533,000 for all of 2021. The fair value of the earn-out payments was calculated using a Monte Carlo Simulation using Geometric Brownian Motion, which considers the volatility in the business and its ability to generate the required gross margins over time, consistent with modeling techniques presented by The Appraisal Foundations February 2019 Valuation of Contingent Consideration advisory report. Based on the historical performance of Beeorganic, the earn-out targets are expected to be fully achieved by 2025 and the carrying value of the earn-out payments will be accreted over that period or until fully paid. The fair value of the earn-out payments is recorded in accrued liabilities.

The results of operations from the operating assets of ZMS are included in the consolidated financial statements of the Company from November 24, 2021, that date being the date on which Organto's control of these assets commenced. Due to weather delays, products expected to be offered for sale in 2021 were not available until 2022 and the operating assets of ZMS did not generate any revenues or any net profit in the period November 24, 2021 to December 31, 2021 but did generate unaudited revenues of $570,000 and an unaudited net profit of $73,000 for all of 2021.

The acquisition method of accounting was used to account for the acquisitions of Fresh Organic Choice, Beeorganic and the ZMS assets. Under this method, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date and the excess of the cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill.

Among the factors contributing to a purchase price resulting in the recognition of goodwill in the acquisitions of Fresh Organic Choice and Beeorganic are: the acquisition of sales and product procurement talent; expected growth opportunities resulting from the integration of established supply agreements into the Company's existing marketing platform; the addition of a new class of products available for sale; and the potential to market these new products under the Company's I AM Organic brand.

Among the factors contributing to a purchase price resulting in the recognition of goodwill in the acquisition of the ZMS assets are: expected growth opportunities resulting from the integration of established supply agreements into the Company's existing marketing platform; entry into a new growing region to increase future supply of products available for sale; and the expansion of products available to be marketed under the Company's I AM Organic brand.

The intangible assets acquired in the Fresh Organic Choice and Beeorganic acquisitions is not deductible for income tax purposes and deferred income taxes of $131,500 have been recognized and added to their respective goodwill's carrying value.

10. Short-term loans payable

Secured interest-bearing loans

During 2019 the Company received $419,100 in short term loans from a number of parties including officers and directors. These loans were secured by a portion of the Company's investment securities bearing interest at an annual rate 12% for a term of six months. In February 2020 the Company issued 2,135,764 warrants in connection with the $419,100 of these secured interest-bearing loans. These warrants were exercisable for a period of 12 months at an exercise price of $0.065 per share.

In April 2020 the Company entered into agreements to extend these loans as follows: $211,500 of the loans which were to mature in April 2020 and $72,600 of the loans which were to mature in June 2020 now matured on October 3, 2020 and December 13, 2020 respectively. The remaining $135,000 of the loans which were to mature in April 2020 were changed to a maturity date of July 3, 2020. No other changes were made to the terms of these loans.

The Company issued convertible debentures (note 13) to settle $73,500 and 1,200,000 common shares (note 14) to settle $60,000 of these loans. The remaining loans of $285,600 were repaid with cash in 2020.

Unsecured interest-bearing loans

During the year ended December 31, 2018 the Company received $818,740 in bridge loans from insiders and certain shareholders. Interest rates ranged from 0% to 8% with interest paid in equal monthly payments totalling $5,000 per month on all interest bearing loans. Two of these loans were settled in March 2019 when the Company sold its processing plant in Guatemala. Under the terms of the sale agreement, part of the consideration paid was the discharge of the loans from Organizacion de Marcadeo S.A., a company controlled by one of the founding shareholders of Organto Guatemala, S.A. with maturity dates of March 27, 2019 and April 5, 2019. All loans were unsecured and had a term of one year.

In April 2019 the Company entered into an agreement to extend the remaining unsecured, interest bearing bridge loans for one year. In April 2020 the Company entered into a new agreement to extend these loans through March 15, 2021 and in June 2020 the maturity date was further extended to October 1, 2021. The interest rate on these loans was changed to 12% and the loans were subject to monthly principal and interest payments in the amount of $12,500 commencing July 2020. These loans were also subject to additional lump sum payments based on funds raised via equity financings, warrant exercises and proceeds from funds raised from the disposition of the Company's investment securities.

As part of the April 2020 extension, the Company agreed to grant 1,500,000 warrants to the lender for a period of eighteen months with an exercise price of $0.065 per share, subject to the policies of the TSX-V related to payments of principal amounts to which the warrants apply. These warrants were issued in July 2020 and had a total fair value of $70,500 which was expensed as a financing cost in 2020. The fair value was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.24%, expected life of 1.5 years and no dividend yield.

Combined regular and lump sum payments in 2020 totalled $213,783 with $167,650 applied to principal and $46,133 for interest. In October 2020, the lender exercised the 1,500,000 warrants issued in July 2020 and the cost to exercise these warrants of $97,500 was applied towards the principal amount of the outstanding loans. A foreign exchange loss of $2,174 was realized on the loan payments made during 2020.

These loans were fully repaid, together with accrued interest, in January 2021. A foreign exchange loss of $1,057 was realized on the loan payments made during 2021.

Unsecured non-interest-bearing loans

During 2018 and 2019 the Company received $364,785 in short term loans from a number of parties including officers and directors, some of which were denominated and repayable in US dollars and Euros. These loans had no fixed terms of repayment. During 2019 $55,000 of the loans were assumed by Xebra and the Company repaid $94,085 and converted $91,500 of the loans into secured interest bearing loans.

During 2020 the Company received $484,070 in cash and converted $72,603 of accounts payable into short term loans, some of which were denominated in US dollars and Euros. These loans had no fixed terms of repayment. During 2020 the Company repaid $410,700 and settled $284,150 of the loans by issuing convertible debentures (note 13). A foreign exchange loss of $25,415 was realized on these loans in 2020.

Xebra promissory note

The Company signed a promissory note payable to Xebra for cash proceeds of $100,000 in 2020. This loan was repaid later in 2020 and a foreign exchange loss of $6,608 was realized.

A continuity of loan balances is shown below:

	($)
Balance at January 1, 2020	1,097,024
New loans	484,070
Principal repaid	(974,314)
To settle accounts payable	72,603
Convertible debenture issued	(357,650)
Common shares issued	(60,000)
Foreign exchange	34,221
Balance at December 31, 2020	**295,954**
Principal repaid	(295,954)
Balance at December 31, 2021	**-**

11. Bank loan

In January 2019, the Company established a revolving credit facility with a Mexican bank for up to US$500,000. Interest was payable monthly at 12% on any funds borrowed. Borrowed funds were required to be repaid within 180 days after which they could then be re-borrowed. In June 2020 the credit facility was increased to US$1,000,000. The credit facility was guaranteed by a convertible debenture which could be issued in order to settle the principal amount borrowed. In October 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle US$500,000 of the credit facility. In November 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle the remaining US$500,000 of the credit facility.

In December 2020, a new bank loan with a term of 2 years was established with the same bank for US$750,000 and the full amount was drawn. Interest was payable monthly at 8% annually. This credit facility was guaranteed by a convertible debenture which could be issued in order to settle the principal amount borrowed. In July 2021, a convertible debenture with a face value of $963,150 was issued and immediately converted into 3,210,500 common shares to fully settle the bank loan. Costs incurred to issue the loan and associated security were initially deducted from the proceeds and were amortized over the two year life of the loan. The balance of the un-amortized costs were fully expensed when the loan was settled. The market value of the 3,210,500 common shares was $1,589,198 and the difference between the market value of the shares and the face value of the debenture, together with the balance of un-amortized loan issue costs was recorded as a loss on the settlement of the bank loan (note 18).

(Expressed in Canadian Dollars)

A continuity of the balance is shown as follows:

	($)
Balance at January 1, 2020	650,894
Proceeds from 12% credit facility	1,362,369
Payments made to 12% credit facility	(672,916)
Settled with shares by way of convertible debentures	(1,355,000)
Proceeds from 8% credit facility	962,625
Loan issue costs	(126,129)
Foreign exchange	7,611
Balance at December 31, 2020	**829,454**
Amortization of loan issue costs	36,785
Settled with shares by way of convertible debentures	(963,150)
Un-amortized loan issue costs	89,334
Foreign exchange	7,577
Carrying value at December 31, 2021	-

12. CEBA loan

The Company received proceeds of $40,000 in September 2020 and an additional $20,000 in December 2020 under the Canada Emergency Business Account ("CEBA") program. The loan is a 0% interest bearing loan with no principal payments required. The loan can be repaid at any time and $20,000 of the loan will be forgiven if repaid in full before December 31, 2022. If not repaid by December 31, 2022, the loan can be converted into a 3-year term loan at 5% annual interest paid monthly effective January 1, 2023.

13. Convertible debentures

May 2022 series

In May 2020 the Company completed a private placement of convertible debentures with a total face value of $720,300. The debentures were unsecured and had a term of two years and bore interest at 10% annually, payable in arrears beginning one year after their date of issuance. The debentures were convertible into shares of Organto at $0.05 per share in the first 12 months and $0.10 thereafter. Interest was not convertible. The holder could convert all or part of the debentures at any time and the Company had the right to force conversion of the debentures.

Debentures with a face value of $665,300 were converted in 2020 resulting in the issuance of 13,306,000 common shares. The remaining debentures with a face value of $55,000 were converted in January 2021 resulting in the issuance of 1,100,000 common shares.

December 2022 series

In December 2020 the Company completed a private placement of convertible debentures with a total face value of $3,356,850. The debentures are unsecured and have a term of two years and bear interest at 8% annually, payable in arrears beginning one year after their date of issuance.

The debentures are convertible into shares of Organto at $0.30 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after April 29, 2021, the closing price of the Company's shares exceeds $0.45 or more for ten consecutive trading days, the Company has the right to force conversion of the Debentures.

The Company recorded $3,076,872 as the fair value of the debt component of the debentures, with the residual amount of $279,978 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two year term.

A total of $191,775 in finder's fees was allocated to the liability and the equity components of the debentures, of which $126,084 was paid in cash. The finders were also issued 420,280 warrants with each warrant entitling the holder to purchase one common shares at a price of $0.30 for a period of two years. These finder warrants have a total fair value of $65,691.

Debentures with a face value of $577,000 were converted in 2021 resulting in the issuance of 2,839,995 common shares.

With a maturity date of December 29, 2022, this series of debentures is classified as short-term.

January 2023 series

In January 2021 the Company completed a private placement of convertible debentures with a total face value of $310,000. The debentures are unsecured and have a term of two years and bear interest at 8% annually, payable in arrears beginning one year after their date of issuance.

The debentures are convertible into shares of Organto at $0.30 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after May 5, 2021, the closing price of the Company's shares exceeds $0.45 or more for ten consecutive trading days, the Company has the right to force conversion of the Debentures.

The Company recorded $284,144 as the fair value of the debt component of the debentures, with the residual amount of $7,856 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two year term.

A finder's fee of $18,000 was paid in cash and recorded in 2021. Other transaction costs associated with the January 2023 debentures were recorded in 2020 together with the costs associated with the December 2022 series.

With a maturity date of January 4, 2023, this series of debentures is classified as long-term.

November 2026 series

In November 2021 the Company completed an offering of convertible debentures with a total face value of $8,050,000. The debentures are unsecured and have a term of five years and bear interest at 8% annually, payable in arrears beginning one year after their date of issuance.

The debentures are convertible into shares of Organto at $0.50 per share and interest is not convertible. The holder may convert all or part of the debentures at any time after November 30, 2023. If, at any time after November 30, 2023, the 20 day volume weighted average trading price of the Company's shares on the TSXV exceeds $0.625, the Company has the right to force conversion of the Debentures. The Company may repay all or a portion of the convertible debentures by issuing common shares worth $1,053 based on their current market price for each $1,000 face value of convertible debentures. The Company may also pay all or a portion of the interest payable by issuing common shares to the debenture trustee who shall sell the common shares and use the proceeds to pay the interest due to debenture holders.

The Company recorded $6,278,676 as the fair value of the debt component of the debentures, with the residual amount of $1,771,324 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the five year term.

(Expressed in Canadian Dollars)

Transaction costs of $956,627 were paid in cash including $483,000 in finder's fees, of which $126,084 was paid in cash. The finders were also issued 966,000 warrants with each warrant entitling the holder to purchase one common shares at a price of $0.50 for a period of two years. These finder warrants have a total fair value of $258,888. A total of $1,215,515 in transaction costs was allocated to the liability and the equity components of the debentures.

With a maturity date of November 30, 2026, this series of debentures is classified as long-term.

A summary of the convertible debentures is as follows:

	($)
Convertible debentures issued for:	
Cash	3,517,457
To settle accounts payable	201,550
To settle short term loans	357,093
To settle accrued interest	1,050
	4,077,150
Allocated to equity component	(298,907)
Transaction costs allocated to debt component	(197,088)
Accretion	61,652
Converted	(673,680)
Balance at December 31, 2020	**2,969,127**
Convertible debentures issued for cash	8,360,000
Allocated to equity component	(1,779,180)
Transaction costs allocated to debt component	(966,102)
Accretion	321,089
Converted	(522,537)
Balance at December 31, 2021	**8,382,397**

Convertible debentures by maturity:

Maturing in less than one year	-
Maturing in more than one year	2,969,127
Balance at December 31, 2020	**2,969,127**
Maturing in less than one year	2,627,670
Maturing in more than one year	5,754,727
Balance at December 31, 2021	**8,382,397**

Accrued interest on all outstanding debentures of $ 336,539 is recorded in accounts payable and accrued liabilities at December 31, 2021.

14. Share capital

(a) Common shares

The Company is authorized to issue an unlimited number of common shares without par value. At December 31, 2021 the Company had 277,386,653 (December 31, 2020 - 243,647,951) common shares issued and outstanding.

In May 2020 the Company initiated a non-brokered private placement of 30,077,900 units in two tranches. Each unit consisted of one common share and one half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.10 for a period of two years. If, at any time after four months from the date of issue, the closing price of the Company's common shares as traded on the TSX-V was equal to or greater than $0.15 for 10 consecutive trading days or more, the Company may, in its sole discretion, accelerate expiry of the warrants to the earlier of: (i) the 30th day after the date on which such notice is given; and the original expiry date of the warrants.

In May 2020 the Company closed the first tranche of its non-brokered private placement and issued 14,000,000 units for gross proceeds of $700,000. The Company applied the residual method to account for the issuance of the warrants and recorded $70,000 in reserves.

In June 2020 the Company closed the second and final tranche of its non-brokered private placement and issued 16,077,900 units for gross proceeds of $803,895 of which 1,200,000 units were issued to settle short term loans of $60,000 (note 10). The Company applied the residual method to account for the issuance of the warrants and recorded $nil in reserves as the full value of the proceeds have been allocated to share capital.

In October 2020 the Company settled $84,080 of accounts payable by issuing 990,795 common shares.

In October 2020 the Company issued 2,204,872 common shares on the exercise of warrants. No cash proceeds were received, instead the $143,317 proceeds were applied to the principal amounts of certain short-term loans. In December 2020 the Company issued 4,951,450 common shares on the exercise of warrants. Cash proceeds of $465,145 were received and $19,500 was applied to settle certain accounts payable.

To settle the Company's US$1,000,000 bank loan, debentures with a face value of $665,300 were issued and immediately converted in 2020 resulting in the issuance of 13,306,000 common shares (note 15).

In November and December 2020 the bank loan of $1,355,000 was settled by way of convertible debentures which were immediately converted and 27,100,000 common shares with a fair value of $4,471,500 were issued.

In December 2020 the Company agreed to issue 2,000,000 shares to certain officers as a signing bonus. These shares had a fair value of $512,500 and were recorded in stock-based compensation. The shares were issued in April 2021.

In March 2021 the Company signed an exclusive supply agreement with a Mexican supplier of organic avocados and in order to obtain exclusive rights, a total of 1,000,000 common shares may be issued to the supplier over the term of the agreement based on the delivery of minimum annual volume targets. The issuance of these shares under the supply agreement is subject to the acceptance of the TSXV and no shares have been issued to date.

In January 2021 the Company issued 839,570 common shares as part of the consideration paid to acquire 100% of Fresh Organic Choice (note 9). These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

In November 2021 the Company closed a non-brokered private placement of 18,565,062 common shares for net proceeds of $5,948,060 after share issue costs of $29,890. As part of the private placement, in the event of future financings by the company, one of the participants of the private placement has been granted a pre-emptive anti-dilutive right to participate in such financings to maintain its 5-percent equity ownership position. No finder's fees were paid on the private placement and the shares issued are subject to a hold period expiring in March 2022.

(b) Shares to be issued

In December 2020 the Company agreed to issue 2,000,000 common shares to certain officers as a signing bonus. These shares had a fair value of $512,500 and were issued in April 2021.

(Expressed in Canadian Dollars)

In January 2021 the Company completed the documentation related to the 2019 sale of the Company's former processing assets located in Guatemala and 5,873,357 common shares with a fair value of $440,494 were cancelled. Part of the proceeds from the sale of these processing assets included the cancellation and return to treasury of 5,873,357 common shares of the Company.

In November 2021 the Company agreed to issue 1,579,670 common shares as part of the consideration paid to acquire 100% of Beeorganic (note 9). These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years. These shares were issued in March 2022.

In November 2021 the Company agreed to issue 1,645,643 common shares as full consideration paid to acquire the operating assets of ZMS (note 9). These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years. These shares were issued in February 2022.

(c) Share options

The Company has adopted a rolling stock option plan whereby the Board of Directors, may from time to time, grant options to directors, officers, employees or non-employee service providers to a maximum of 10% of the outstanding common shares of the Company at any point in time, less any share options already reserved for issuance under share options granted under previous stock option plans of the Company or granted under any other employee incentive purchase plan that the Company may adopt. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's Board of Directors.

5,880,000 share options were granted during the year ended December 31, 2020. 1,391,000 share options vested in 2020, 1,866,000 share options will vest in 2021, 1,191,000 in 2022, and 716,000 in both 2023 and 2024.

6,700,000 share options were granted during the year ended December 31, 2021. 1,535,000 of these share options vested in 2021, 1,610,000 will vest in 2022, 1,235,000 will vest in 2023 and 1,160,000 will vest in each of 2024 and 2025.

480,000 share options were exercised during the year ended December 31, 2021 at an average exercise price of $0.115 per share. The average market price of the Company's shares when the share options were exercised was $0.395 per share. No share options were exercised during the year ended December 31, 2020.

The continuity of the Company's share options is as follows:

	Total options		**Exercisable options**	
	Total options	**Weighted average exercise price ($)**	**Exercisable options**	**Weighted average exercise price ($)**
Balance, January 1, 2020	13,010,000	0.124	6,103,750	0.147
Granted	5,880,000	0.155	1,191,000	0.158
Vested	-	-	3,158,750	0.087
Forfeited	(1,000,000)	0.18	-	-
Expired	(1,565,000)	0.191	(1,565,000)	0.191
Balance at December 31, 2020	**16,325,000**	**0.125**	**8,888,500**	**0.119**
Granted	6,700,000	0.345	1,385,000	0.345
Vested	-	-	3,897,250	0.126
Exercised	(480,000)	0.115	(480,000)	0.115
Expired	(675,000)	0.124	(535,000)	0.11
Balance at December 31, 2021	**21,870,000**	**0.193**	**13,155,750**	**0.146**

(Expressed in Canadian Dollars)

A summary of the Company's share options outstanding and exercisable at December 31, 2021 is as follows:

Exercise price ($)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.07	2.96	5,525,000	4,828,750
0.08	2.42	60,000	-
0.10	3.65	2,780,000	1,567,000
0.135	1.95	2,665,000	2,270,000
0.15	1.49	600,000	480,000
0.18	1.32	1,745,000	1,670,000
0.265	3.98	1,795,000	805,000
0.285	4.06	700,000	230,000
0.30	4.96	1,975,000	395,000
0.37	4.90	3,375,000	690,000
0.385	4.46	200,000	40,000
0.42	4.16	300,000	150,000
0.43	4.64	150,000	30,000
	3.39	**21,870,000**	**13,155,750**

The Company recognizes stock based compensation over the vesting period of the underlying options using the Black-Scholes Option Pricing Model for those options with set vesting dates and the Binomial Method for those options which vest based on market conditions. Option pricing methods require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. The fair value of the options granted in 2021 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 114-120%, risk free interest rates of 0.33%-1.46%, expected lives of 5 years and no dividend yield. The fair value of the options granted in 2020 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 119-123%, risk free interest rates of 0.30%-0.52%, expected lives of 1-5 years and no dividend yield.

The fair value of the options granted during the year ended December 31, 2021 was $1,656,225 (2020 - $628,060) and the Company recognized $897,791 (2020 - $400,032) as stock-based compensation expense relating to options that vested.

See note 25.

(d) Restricted share units

In January 2021 the Company adopted a restricted share unit ("RSU") plan to issue RSUs whereby the total aggregate RSUs and share options outstanding may be up to 10% of its issued capital at the time of an applicable option grant. Under the RSU plan, the Company has 2,500,000 RSUs reserved for issuance and the Company's Board of Directors may from time to time, grant RSUs to directors, officers, employees or consultants. The vesting terms of an RSU are at the discretion of the Board of Directors.

In January 2021 the Company granted 1,375,000 RSUs with 25% vesting immediately and 25% every six months thereafter. In December 2021 one recipient agreed to forfeit 200,000 RSUs of which 100,000 had vested. Also in December 2021, the Company granted 1,300,000 RSUs with 25% vesting immediately and 25% every six months thereafter. The fair value of each RSU is determined using the closing price of the common shares of the Company on the date of grant. The total fair value of RSUs granted in 2021 was $677,625 (2020 - $nil) and the Company recognized $423,118 (2020 - $nil) as stock-based compensation expense relating to RSUs that vested.

At December 31, 2021 a total of 2,475,000 RSUs were outstanding, of which 912,500 had vested. No vested RSUs were paid in 2021.

(e) Warrants

In February 2020, the Company issued 2,135,764 warrants in connection with the $419,100 of secured interest-bearing loans issued in late 2019. These warrants were exercisable for a period of 12 months at an exercise price of $0.065 per share (note 10). The fair value of these warrants was nominal. 1,004,872 of these warrants were exercised in 2020 and the remaining 1,130,892 warrants were exercised in 2021.

In May 2020, the Company issued 223,300 warrants in connection with the convertible debentures issued in May 2020 (note 13). These warrants are exercisable for a period of two years at an exercise price of $0.10 per share. The fair value of these warrants of $4,466 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.44%, expected life of 2 years and no dividend yield. The value of these warrants was expensed as a financing cost during 2020. 22,500 of these warrants were exercised in 2021.

In May 2020 the Company issued 7,000,000 warrants in connection with the first tranche of the non-brokered private placement of shares completed in May 2020. These warrants were originally exercisable for a period of two years at an exercise price of $0.10 per share and were exercised in 2021. The Company applied the residual method to account for the issuance of the warrants and recorded their fair value of $70,000 in reserves in 2020.

In June 2020 the Company issued 8,038,950 warrants in connection with the second and final tranche of the non-brokered private placement of shares completed in June 2020. These warrants were originally exercisable for a period of two years at an exercise price of $0.10 per share. 4,651,450 of these warrants were exercised in 2020 and the remaining 3,387,500 warrants were exercised in 2021. The Company applied the residual method to account for the issuance of the warrants and calculated their fair value of $nil.

In July 2020 the Company issued 1,500,000 warrants as part of the agreement reached in April 2020 to extend the unsecured interest-bearing loans originally issued in 2018. These warrants were exercised in 2020 at an exercise price of $0.065 per share. The fair value of these warrants of $70,500 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.24%, expected life of 1.5 years and no dividend yield. The value of these warrants was expensed as a financing cost during 2020.

In December 2020 the Company issued 420,280 warrants in connection with the convertible debentures issued in December 2020 and 192,630 warrants in connection with the 8% credit facility established in December 2020. These warrants are exercisable for a period of two years at an exercise price of $0.30 per share. 136,040 of these warrants were exercised in 2021. The fair value of these warrants of $95,800 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 125%, risk free interest rate of 0.21%, expected life of 2 years and no dividend yield. The value of these warrants was classified as issue costs for the debentures and bank loan and is recorded as offsets to the bank loan and convertible debenture balances to be amortized over their expected two year term.

In January 2021 the Company issued 62,000 warrants in connection with the convertible debentures issued in January 2021. These warrants are exercisable for a period of two years at an exercise price of $0.30 per share. The fair value of these warrants of $8,800 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 125%, risk free interest rate of 0.21%, expected life of 2 years and no dividend yield. The value of these warrants was included with the issue costs for the debentures issued in December 2020. These costs were recorded in 2020 as an offset to the convertible debenture balances and will be amortized over their expected two year terms.

In November 2021 the Company issued 966,000 warrants in connection with the convertible debentures issued in November 2021. These warrants are exercisable for a period of two years at an exercise price of $0.50 per share. The fair value of these warrants of $258,888 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 114%, risk free interest rate of 1.36%, expected life of 2 years and no dividend yield. The value of these warrants was classified as an issue cost for the debentures and is recorded as an offset to the convertible debentures balance and will be amortized over the expected five year term.

(Expressed in Canadian Dollars)

Warrants outstanding and exercisable at December 31, 2021 are as follows:

Grant date	Number of warrants	Exercise price ($)	Expiry Date
May 2020	200,800	0.10	May 2022
December 2020	476,870	0.30	December 2022
January 2021	62,000	0.30	January 2023
November 2021	966,000	0.50	November 2023
	1,705,670	**0.39**	

The continuity of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price ($)
Balance at January 1, 2020	5,500,000	0.17
Issued	19,510,924	0.10
Exercised	(7,156,322)	0.088
Expired	(5,500,000)	0.20
Balance at December 31, 2020	**12,354,602**	**0.107**
Issued	1,028,000	0.488
Exercised	(11,676,932)	0.098
Balance at December 31, 2021	**1,705,670**	**0.39**

(f) Reserves

	Options and RSUs ($)	Warrants ($)	Other reserves ($)	Cumulative translation ($)	Total ($)
Balance, January 1, 2020	1,068,127	235,471	592,513	841,325	2,737,436
Stock-based compensation	400,032	-	-	-	400,032
Fair value of warrants issued	-	240,766	-	-	240,766
Conversion option of convertible debentures	-	-	295,658	-	295,658
Accumulated comprehensive loss	-	-	-	(104,073)	(104,073)
Balance at December 31, 2020	**1,468,159**	**476,237**	**888,171**	**737,252**	**3,569,819**
Stock-based compensation	1,320,909	-	-	-	1,320,909
Issue of convertible debentures	-	-	1,511,766	-	1,511,766
Fair value of warrants issued	-	258,888	-	-	258,888
Accumulated comprehensive loss	-	-	-	(56,424)	(56,424)
Balance at December 31, 2021	**2,789,068**	**735,125**	**2,399,937**	**680,828**	**6,604,958**

(Expressed in Canadian Dollars)

15. Cost of sales

	Year ended December 31, 2021 ($)	Year ended December 31, 2020 ($)
Produce purchases	14,972,182	9,211,920
Materials and transportation	1,993,785	1,033,993
Other	566,050	129,181
	17,532,017	**10,375,094**

16. Selling, general and administration expenses

	Year ended December 31, 2021 ($)	Year ended December 31, 2020 ($)
Administration and office	1,479,977	557,459
Professional fees	747,026	241,059
Bad debt expense	3,761	35,174
Amortization (note 9)	47,530	4,520
	2,278,294	**838,212**

17. Other income (loss)

	Year ended December 31, 2021 ($)	Year ended December 31, 2020 ($)
Financing fee received	7,000	-
Sale of Xebra ROFR (note 8)	34,000	-
Insurance claim	8,715	31,279
Legal claim settlement provision	(188,874)	-
Revaluation of advances to third-party producers and service providers	-	(64,926)
Revaluation of VAT	-	(10,980)
Impairment of property, plant and equipment	-	(9,668)
Sale of dormant subsidiary	-	6,052
	(139,159)	**(48,243)**

In 2021, the Company received notice of a claim against its subsidiary in Guatemala for events that took place in 2018 and while the Company believes the claim is without merit, it has provisionally accrued $188,874 to resolve the claim.

(Expressed in Canadian Dollars)

18. Gain (loss) on settlement of debt

	Year ended December 31, 2021 ($)	2020 ($)
Loss on shares for bank loan settlement (note 11)	(715,384)	(3,116,500)
Gain on settlement of accounts payable	142,480	183,478
	(572,903)	**(2,933,022)**

19. Related party transactions

(a) Directors and key management personnel compensation:

	Year ended December 31, 2021 ($)	2020 ($)
Salaries, consulting and management fees	880,539	561,061
Stock based compensation	947,285	770,573
	1,827,824	**1,331,634**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended December 31, 2021 and 2020.

(b) Transactions with related parties:

	Year ended December 31, 2021 ($)	2020 ($)
Administrative services from companies with common directors or officers	419,687	562,705
Product sales to a company with a common officer	285,522	83,441
Product purchases from a company with a common officer	470,782	23,606

(c) Outstanding balances included in accounts payable (receivable):

	December 31, 2021 ($)	2020 ($)
Salaries, consulting and management fees	277,860	895,953
Interest on convertible debentures	44,297	206
Administration services	-	111,227
Expense reimbursements	6,941	598
Product sales	(283,616)	-

(Expressed in Canadian Dollars)

(d) Loans from directors and key management personnel:

	($)
Balance at January 1, 2020	348,827
Loans received	346,922
Loans repaid	(436,115)
Loans settled with convertible debentures	(285,047)
Foreign exchange	25,413
Balance at December 31, 2020	**-**
Balance at December 31, 2021	**-**

20. Supplemental cash flow information

	Year ended December 31, 2021 ($)	Year ended December 31, 2020 ($)
Items not involving cash:		
Amortization	47,530	4,520
Bad debt expense	3,761	35,174
Stock-based compensation	1,320,909	912,532
Interest expense and accretion	971,287	424,323
Foreign currency translation	(62,881)	91,716
Other income	154,194	69,201
Unrealized loss (gain) on investment securities	(587,209)	1,096,807
Loss on extinguishment of debt	572,903	2,933,022
Financing costs	-	74,966
	2,420,494	**5,642,261**
Changes in non-cash working capital:		
Receivables	(1,467,858)	(1,990,788)
Inventories	(66,044)	38,238
Prepaid expenses	(2,074,493)	(475,739)
Accounts payable and accrued liabilities	1,471,760	1,855,118
	(2,136,635)	**(573,171)**

(Expressed in Canadian Dollars)

Non-cash investing and financing activities includes the following:

	Year ended December 31, 2021 ($)	2020 ($)
Common shares issued:		
as part of Fresh Organic Choice acquisition	179,495	-
to settle bank loan	1,589,198	4,471,500
on conversion of debentures	510,753	-
as signing bonuses	512,500	-
to settle accounts payable	-	84,080
to settle short-term loans payable	-	162,817
Common shares cancelled:		
as part of the sale of the processing plant in Guatemala	(440,494)	-
Convertible debentures issued		
to settle accounts payable	-	201,550
to settle accrued interest	-	1,050
to settle short-term loans payable	-	357,093
Accounts payable settled with short-term loans	-	72,603

21. Segmented information

The Company has one reportable business segment, being the sourcing, processing, packaging, distribution and marketing of organic and specialty food products. The Company's two largest customers accounted for 9% and 7% of sales in the year ended December 31, 2021 (2020 - 14% and 0% respectively). All of the Company's sales and customers are in Europe.

Information by geographical areas is as follows:

	December 31, 2021 ($)	2020 ($)
Non-current assets		
Canada	1,051,615	1,040,582
Netherlands	1,844,213	-
	2,895,828	**1,040,582**

22. Commitments

At December 31, 2021 the Company had entered into agreements which call for minimum payments as follows:

	Within 1 year ($)	Between 1 and 5 years ($)	After 5 years ($)	Total ($)
Management fees	236,156	-	-	236,156
Administration services	2,160	-	-	2,160
Labour and benefits	128,474	-	-	128,474
	366,790	**-**	**-**	**366,790**

23. Financial risk and capital management

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments at December 31, 2021 are summarized below. The Board of Directors reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

(a) Credit risk

Credit risk is the risk that the Company will incur a loss due to a customer or third party failing to discharge their obligation due to the Company. The Company's primary exposure to credit risk is in its cash accounts and accounts receivable. Credit risk associated with accounts receivable is considered moderate.

The credit risk exposure on cash is limited to their carrying amounts at the date of the statement of financial position. Cash is held as cash deposits with creditworthy chartered banks in Canada, Guatemala, Argentina, Mexico and Europe. While the risk was assessed as low, a Mexican bank had its banking license revoked and was placed into liquidation by the Mexican government. A payment to a Mexican supplier was impacted by the shut down of this bank and the Company is unsure of the financial impact this may have on the Company. The Company does not expect any issues with the other banks it deals with and their credit risk is assessed as low.

(b) Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. The Company manages liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at December 31, 2021, the Company had working capital of $9,682,809 (2020 – $2,580,088). Liquidity risk is assessed as high.

To date, the Company has been able to address any shortfalls in meeting its short term financial demands by turning to equity and debt markets to raise the funding necessary to continue operations. The Company will continue to rely on equity or debt financing until it is able to realize consistent profitable operating results. See note 1 for the going concern discussion.

(c) Market risks – interest rate

The Company is not exposed to interest rate risks as it does not have any debt subject to variable interest rates.

Sensitivity analysis

A 1% change in interest rates is not expected to have a material effect on the Company's profit or loss and equity.

As the Company's presentation currency is the Canadian Dollar, where foreign currency transactions such as the US Dollar, European Euro, Guatemalan Quetzal and Argentine Peso are converted into Canadian Dollars, changes in exchange rates between these currencies may have an effect on the Company's profit or loss and equity. A +/- 10% change in the exchange rate between those currencies and the Canadian Dollar can affect net loss by approximately $250,000.

Capital management

The Company's objectives when managing capital are to ensure an optimal capital structure is maintained to reduce overall cost of capital and allow the Company flexibility to respond to changes in its working capital requirements.

In the management of capital, the Company includes the components of shareholders' equity, net of cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and investments.

(Expressed in Canadian Dollars)

In order to facilitate the management of its capital requirements, the Company monitors working capital and cash flows regularly. There have been no changes to the Company's capital management policies and procedures since the end of the most recent fiscal year.

Fair value

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

IFRS 7, *Financial Instruments: Disclosure* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the Company's financial instruments were determined based upon appropriate valuation methodologies as follows:

- the fair value of cash is based on level 1 inputs and approximates its carrying value due to the immediate or short-term maturity of these financial instruments;
- the fair value of the Company's investment securities, which are not publicly traded, was estimated using level 2 inputs being the price of recent or in-progress funding involving financing from external investors; and
- the fair value of the liability component of the Company's convertible debentures was based on level 2 inputs.

24. Income taxes

The provision for income taxes reported differs from the amount computed by applying the applicable Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	Year ended December 31, 2021 ($)	Year ended December 31, 2020 ($)
Net loss for the year	(6,340,664)	(7,054,745)
Statutory tax rate	27%	27%
Income taxes (recovery) computed at statutory rates	(1,712,000)	(1,904,800)
Foreign tax differences, rate changes, foreign exchange and other	859,000	1,500
Expiry of non-capital losses carried forward	46,500	1,500
Non-deductible items	683,400	263,000
Share issue costs	(29,700)	(12,000)
Change in valuation allowance of deferred taxes	152,800	1,650,800
	-	-

The Company has deductible temporary differences for which deferred tax assets have not been recognized due to the uncertainty of their recovery. The significant components of unrecognized deferred income tax assets and liabilities at December 31, 2021 and 2020 are as follows:

(Expressed in Canadian Dollars)

	December 31, 2021 ($)	December 31, 2020 ($)
Net operating losses carried forward	4,983,000	5,680,400
Share issue costs	33,500	13,700
Equipment and other	1,650,800	746,300
	6,667,300	6,440,400
Tax benefits not recognized	(6,667,300)	(6,440,400)
Deferred tax liability related to intangible assets	(131,500)	-
	(131,500)	**-**

The Company has non-capital losses in the tax jurisdictions in which it operates:

	December 31, 2021 ($)
Canada - expires between 2035 and 2041	9,423,700
Netherlands - no expiry	8,912,000
Argentina - expires between 2022 and 2026	516,300
Mexico - expires between 2028 and 2031	230,600
	19,082,600

25. Subsequent events

Stock options

In January 2022 the Company granted 150,000 stock options to a contractor with an exercise price of $0.35 and a term of five years. 30,000 of these options vested immediately and the balance will vest between 2023 and 2026.

In February 2022 1,500,000 stock options were exercised at an exercise price of $0.07 for proceeds of $105,000.

Hedging facility

In February 2022 one of the Company's European subsidiaries established a hedging facility with a European financial services company in order to hedge its exposure to fluctuations in the US dollar vs Euro exchange rate. The facility is for forward exchange contracts, up to a maximum of US$4 million. As part of this facility, the Company was required to guarantee the European subsidiary's obligations under the facility.

Factoring facility

In March 2022 one of the Company's European subsidiaries established a new accounts receivable factoring facility with a European bank to replace its existing facility with a different European bank. The new facility is for €2 million and the Company was required to guarantee the European subsidiary's obligations under the facility.