

ORGANTO FOODS INC.

CONSOLIDATED FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2022**

(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, 2022 and 2021, 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, 2022 and 2021, 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 to the financial statements, which indicates that the Company incurred a net loss of \$10,828,211 during the year ended December 31, 2022 and, as of that date the Company had working capital of \$2,867,046 and had an accumulated deficit of \$45,393,045. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

| KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|--|
| <p>Impairment of non-financial assets – Fresh Organic Choice BV, Beeorganic BV and Zimbabwe Marketing Services B.V, Cash Generating Units (“CGUs”)</p> <p>The Company disclosures related to impairment are included in Note 3(k) and Note 10.</p> <p>As at December 31, 2022, the carrying amount of goodwill and intangible assets with respect to the acquisition of Fresh Organic Choice BV, Beeorganic BV and Zimbabwe Marketing Services B.V in 2021 was \$431,983. Each of the acquisitions was considered to be CGU. For the year ended December 31, 2022, the Company recognized an impairment of \$1,281,704</p> <p>Goodwill is to be tested for impairment annually and whenever there is an indication of impairment. In performing the impairment assessment, the recoverable amounts of each CGU to which goodwill has been attributed is determined. The Company determined that the recoverable amounts of the CGUs corresponded to their value-in-use. It was determined that the recoverable amounts of the CGUs were lower than the respective carrying amounts, causing the Company to recognize impairment losses.</p> <p>While there are several assumptions that go into determining the recoverable amounts, the judgments with the highest degree of subjectivity are revenue forecast, gross margin profit margin and discount rate.</p> <p>We considered this a key audit matter due to the significant management estimates and judgments required in determining the recoverable amount of each CGU. Auditing these estimates of the CGU recoverable amounts required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of valuation specialists.</p> | <p>In obtaining sufficient audit evidence, we performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • With the assistance of valuation specialists, <ul style="list-style-type: none"> ○ Assessed the appropriateness of valuation methods and assumptions. ○ Tested the information underlying the determination of the discount rates. ○ Tested the mathematical accuracy of the calculations. ○ Developed a range of independent estimates. ○ Performed sensitivity analysis. • Evaluated the reasonableness of revenue forecast, gross margin and profit margin used in the value-in-use calculations considering the CGU’s current and past performance. |

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

May 4, 2023

Organto Foods Inc.Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | December 31, 2022 (\$) | December 31, 2021 (\$) |
|--|------------------------------|------------------------------|
| Assets | | |
| Current assets | | |
| Cash | 5,769,979 | 11,869,999 |
| Receivables (notes 5 and 18) | 2,290,358 | 3,161,905 |
| Inventories (note 6) | 235,418 | 316,324 |
| Prepaid expenses | 69,555 | 16,667 |
| Grower advances (notes 7 and 18) | 1,438,391 | 2,699,216 |
| Derivative assets (note 8) | 38,712 | - |
| Investment securities (note 9) | 92,541 | - |
| | 9,934,954 | 18,064,111 |
| Non-current assets | | |
| Long-term grower advances (note 7) | 885,229 | - |
| Investment securities (note 9) | - | 1,051,615 |
| Intangible assets (note 10) | 550,338 | 1,086,774 |
| Goodwill (note 10) | - | 757,439 |
| | 11,370,521 | 20,959,939 |
| Liabilities and shareholders' equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (notes 12 and 18) | 4,165,629 | 4,348,995 |
| Factored accounts receivable liability (note 5) | 1,313,972 | 1,344,637 |
| Government loans and grants (note 11) | 141,503 | 60,000 |
| Convertible debentures (note 12) | 1,446,804 | 2,627,670 |
| | 7,067,908 | 8,381,302 |
| Non-current liabilities | | |
| Government loans and grants (note 11) | 160,360 | - |
| Convertible debentures (note 12) | 7,232,538 | 5,754,727 |
| Deferred income taxes (notes 10 and 23) | 64,800 | 131,500 |
| | 14,525,606 | 14,267,529 |
| Shareholders' equity (deficit) | | |
| Share capital (note 13(a)) | 34,842,972 | 33,854,516 |
| Shares to be issued (note 13(b)) | - | 797,770 |
| Reserves (note 13(f)) | 7,394,988 | 6,604,958 |
| Deficit | (45,393,045) | (34,564,834) |
| | (3,155,085) | 6,692,410 |
| | 11,370,521 | 20,959,939 |

Nature of operations and going concern (note 1)

Commitments (note 21)

Subsequent events (note 24)

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 | |
|--|---------------------------|--------------------|
| | 2022 | 2021 |
| | (\$) | (\$) |
| Sales (notes 18 and 20) | 22,124,257 | 19,518,647 |
| Cost of sales (notes 6, 14 and 18) | (20,859,590) | (17,532,017) |
| Gross profit | 1,264,667 | 1,986,630 |
| Selling, general and administration expenses (notes 15 and 18) | (2,867,069) | (2,278,294) |
| Management fees (note 18) | (1,004,409) | (962,988) |
| Labour costs and benefits (note 18) | (3,413,401) | (2,426,058) |
| Stock-based compensation (notes 13(c), 13(d) and 18) | (917,017) | (1,320,909) |
| Interest expense and accretion, net (note 12) | (6,937,229) | (5,001,619) |
| Other loss (note 16) | (1,526,439) | (971,287) |
| Realized loss on investment securities (note 9) | (529,003) | (139,159) |
| Realized gain (loss) on investment securities (note 9) | - | (141,164) |
| Unrealized gain (loss) on investment securities (note 9) | (959,074) | 587,209 |
| Realized gain on derivative assets (note 8) | 296,304 | - |
| Unrealized gain on revaluation of derivative assets (note 8) | 25,314 | - |
| Loss on settlement of debt (note 17) | (68,206) | (572,903) |
| Impairment of goodwill and intangible assets (note 10) | (1,281,704) | - |
| Recovery of earnout liability (note 10) | 198,274 | - |
| Foreign exchange loss | (113,148) | (101,741) |
| Loss before tax | (10,894,911) | (6,340,664) |
| Recovery of deferred income taxes (note 10) | 66,700 | - |
| Net loss for the year | (10,828,211) | (6,340,664) |
| Other comprehensive loss for the year: | | |
| Foreign currency translation | (266,255) | (56,424) |
| Comprehensive loss for the year | (11,094,466) | (6,397,088) |
| Loss per share: | | |
| Basic and diluted | (0.04) | (0.02) |
| Shares used in computing loss per share: | | |
| Basic and diluted | 281,589,127 | 257,097,090 |

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 | |
|---|---------------------------|-------------------|
| | 2022 | 2021 |
| | (\$) | (\$) |
| Operating activities | | |
| Net loss for the year | (10,828,211) | (6,340,664) |
| Add back: | | |
| Loss on sale of investment securities | - | 141,164 |
| Items not involving cash (note 19) | 5,072,757 | 2,420,494 |
| | (5,755,454) | (3,779,006) |
| Changes in non-cash working capital (note 19) | 919,836 | (2,136,635) |
| Long-term grower advances paid | (885,229) | - |
| Cash used in operating activities | (5,720,847) | (5,915,641) |
| Investing activities | | |
| Software development costs | (118,355) | - |
| Interest received | 75,006 | - |
| Cash paid to purchase Fresh Organic Choice BV | - | (230,475) |
| Cash acquired on purchase Fresh Organic Choice BV | - | 70,229 |
| Cash paid to purchase Beeorganic BV | - | (855,000) |
| Cash acquired on purchase Beeorganic BV | - | 188,827 |
| Proceeds from sale of investment securities | - | 469,012 |
| Cash used in investing activities | (928,578) | (357,407) |
| Financing activities | | |
| Proceeds from convertible debentures, net of issue costs | - | 7,385,373 |
| Proceeds from private placement of shares, net of issue costs | - | 5,948,060 |
| Proceeds from exercise of warrants | 12,186 | 1,155,320 |
| Proceeds from exercise of stock options | 105,000 | 55,250 |
| Repayments of convertible debentures | (41,000) | - |
| Repayments of short-term loans | - | (295,954) |
| Interest paid | (388,227) | (255,916) |
| Cash from (used in) financing activities | (312,041) | 13,992,133 |
| Effect of foreign exchange on cash | (23,783) | 17,184 |
| Decrease in cash | (6,100,020) | (7,736,269) |
| Cash, beginning of year | 11,869,999 | 4,133,730 |
| Cash, end of year | 5,769,979 | 11,869,999 |

Supplemental cash flow information (note 19)

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, 2022 and 2021

(Expressed in Canadian Dollars)

| | Number of shares | Share capital (\$) | Shares to be issued (cancelled) (\$) | Reserves (\$) | Deficit (\$) | Total (\$) |
|--|---------------------|--------------------------|---|------------------|---------------------|--------------------|
| Balance at January 1, 2021 | 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 |
| Shares issued: | | | | | | |
| Settlement of shares owing for Beeorganic BV | 1,579,670 | 402,816 | (402,816) | - | - | - |
| Settlement of shares owing for ZMS business | 1,645,643 | 394,954 | (394,954) | - | - | - |
| Exercise of stock options | 1,500,000 | 178,500 | - | (73,500) | - | 105,000 |
| Exercise of warrants | 121,860 | 12,186 | - | - | - | 12,186 |
| Convertible debenture offering: | | | | | | |
| Conversion option | - | - | - | 201,823 | - | 201,823 |
| Warrants issued | - | - | - | 11,610 | - | 11,610 |
| Convertible debentures prepaid | - | - | - | (665) | - | (665) |
| Stock-based compensation | - | - | - | 917,017 | - | 917,017 |
| Comprehensive loss for the year | - | - | - | (266,255) | (10,828,211) | (11,094,466) |
| Balance at December 31, 2022 | 282,233,826 | 34,842,972 | - | 7,394,988 | (45,393,045) | (3,155,085) |

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

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

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 a 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 primarily 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 36 Toronto St., Suite 805, Toronto, ON, M5C 2C5, Canada.

Economic sanctions implemented in 2022 by the European Union and other countries in response to the Russia/Ukraine conflict have had and many continue to have an economic impact on the Company including lost sales, supply dislocation as product normally destined for Russian markets by international suppliers is diverted to alternate markets and increased supply chain costs driven by rising energy costs and freight availability. 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 cannot 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. For the year ended December 31, 2022 the Company incurred a loss of \$10,828,211 (December 31, 2021 - \$6,340,664). The operations of the Company have historically been funded by the issuance of share capital, bank loans, short-term loans and convertible loans. At December 31, 2022, the Company had working capital of \$2,867,046 (December 31, 2021 - \$9,682,809) and had an accumulated deficit of \$45,393,045 (December 31, 2021 - \$34,564,834). 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. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

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”). The factored accounts receivable liability in the prior year has 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 4, 2023.

(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:

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

| Entity | Location | Functional currency | Ownership interest | Status |
|---------------------------|-------------|---------------------|--------------------|-------------------------|
| Organto Europe B.V. | Netherlands | Euro | 100% | Consolidated subsidiary |
| Fresh Organic Choice B.V. | Netherlands | Euro | 100% | Consolidated subsidiary |
| Beeorganic B.V. | Netherlands | Euro | 100% | Consolidated subsidiary |
| Organto de Mexico, S.A. | Mexico | Mexican peso | 100% | Consolidated subsidiary |
| Organto Argentina S.A. | Argentina | Argentinian peso | 100% | Consolidated subsidiary |
| Organto Guatemala, S.A. | Guatemala | Guatemalan quetzal | 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 recoverability of goodwill and intangible assets, 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 and grower advances, the valuation of the Company's convertible debentures and other 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 have been delivered to the customer or the customer's agent according to the incoterms. The customer has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The risks of obsolescence and loss have been transferred to the Company's customer once 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 and industry.

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

A receivable is recognized when the goods have been accepted by the customer 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) Cash

The Company considers all highly liquid investments with an original maturity of twelve months or less to be cash.

(c) Accounts receivable

Trade receivables are recognised initially at fair value and thereafter at amortized cost less any allowance for bad debts and expected credit losses. An allowance for doubtful trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables and which were not anticipated at the time of the sale. The amount of the allowance is the difference between the receivable's carrying amount and the estimated future cash flows. The amount of the allowance is recognised in the income statement as part of bad debt expense.

Trade receivables that are factored by financial institutions with recourse to the Company are not derecognised as the risks and rewards of the receivables remain with the Company. The cash received from the financial institutions is considered a form of financing and is recorded in current liabilities and any fee incurred to effect factoring is recognized in the income statement as part of interest expense.

(d) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method and includes freight, handling and processing costs. The Company's inventory is comprised of fruit and vegetables. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(e) 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 the proceeds received 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 the expected proceeds. The fair value of any investment securities subject to trading restrictions is discounted to reflect these trading restrictions.

(f) Derivative assets

The Company uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency inventory purchases. Forward contracts are accounted for at their fair value through profit or loss. At each period-end, the position of the contract is marked to market, and all gains or losses are recognized in net income. When contracts are settled, they are derecognized by removing the corresponding derivative asset or liability from the consolidated statement of financial position. The offsetting balance settles to cash and any resulting gain/loss is recorded through profit or loss.

(g) Intangible assets

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

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

Intangible assets also include the cost of externally acquired and developed software used in the design and implementation of a new reporting software for the Company's European subsidiaries. Development of this reporting software is expected to continue until its target date for implementation in 2023. Upon implementation, these costs will then be amortized over the reporting software's expected useful life of five years.

(h) Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the net identifiable assets acquired. Goodwill is not amortized but tested for impairment annually.

An impairment loss is recognized in the consolidated statement of comprehensive loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(i) Convertible debentures

Convertible debentures issued by the Company represent a compound financial instrument that includes the host debt component and the convertible component, with the proceeds received allocated between the two components at the date of issue. The Company then assesses whether the convertible component qualifies as equity or is considered a derivative liability. For debentures issued for cash, the debt liability component is initially at fair value with the residual amount being assigned as the equity component. For debentures issued to settle maturing debentures, both the debt liability and equity components are initially recognized at their fair value with any excess over face value recorded as a loss on extinguishment of debt in the current period. The debt liability component is subsequently accreted to the face value of the convertible debentures at the effective interest rate over the life of the convertible debentures.

(j) Foreign currency translation

Items included in the consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). These consolidated 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 original 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 consolidated statement of comprehensive 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 consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

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.

(k) 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 consolidated statement of comprehensive 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.

(l) 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.

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

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

| Financial assets/liabilities | IFRS 9 Classification |
|--|------------------------------|
| Cash | FVTPL |
| Receivables | Amortized cost |
| Derivative assets | FVTPL |
| Investment in securities | FVTPL |
| Accounts payable | Amortized cost |
| Factored accounts receivable liability | Amortized cost |
| Government loans and grants | 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 consolidated statements of comprehensive 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 consolidated 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 consolidated statements of comprehensive loss.

(m) Finance income and expenses

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

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

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.

(n) 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 consolidated statement of comprehensive loss.

(o) 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.

(p) 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.

4. New accounting standards

The Company did not adopt any new accounting standard changes or amendments in the current year and no future accounting standards not yet adopted will have a material impact on the Company's consolidated financial statements.

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

5. Receivables

| | December 31, 2022 (\$) | 2021 (\$) |
|----------------------------|------------------------------|------------------|
| Trade accounts receivables | 2,129,924 | 2,877,709 |
| VAT recoverable | 153,096 | 153,971 |
| Other | 7,339 | 130,225 |
| | 2,290,358 | 3,161,905 |

One of the Company's European subsidiaries has established an accounts receivable factoring facility with a European bank for up to €2 million and the Company was required to guarantee the European subsidiary's obligations under the facility. Trade accounts receivable at December 31, 2022 included \$1,313,972 of factored accounts (\$1,344,637 at December 31, 2021) with corresponding amounts included in factored accounts receivable liability. Under the factoring facility, the Company is required to maintain credit insurance for those customers whose accounts are factored and has pledged any and all proceeds received under this insurance to the European bank. Factored accounts receivable incur interest at EURIBOR plus 2.25%. The Company retains the credit risk associated with the factored receivables.

In 2022 one of the Company's European subsidiaries filed VAT returns incorrectly. The subsidiary is in the process of correcting this error but until rectified, the tax authorities continue to believe their claim for unpaid taxes of \$1,475,726 from the subsidiary is valid. The Company is in the process of submitting appropriate documentation and believes the outcome will be satisfactorily resolved with no amounts owing related to the error in the VAT returns.

6. Inventories

| | Fruit and vegetables (\$) |
|-------------------------------------|---------------------------------|
| Balance, January 1, 2021 | 40,163 |
| Purchases | 15,248,343 |
| Expensed as cost of sales (note 14) | (14,972,182) |
| Balance, December 31, 2021 | 316,324 |
| Purchases | 17,210,843 |
| Expensed as cost of sales (note 14) | (17,291,749) |
| Balance, December 31, 2022 | 235,418 |

7. Grower advances

Periodic advances are made to third-party growers for shipments of product prior to shipping and for various farming needs and are secured with crop harvests, property or other collateral owned by the growers. Grower advances are recorded at the gross amount of the advance amount less any allowances for potentially unrecoverable balances and if advances are to be recovered after one year they are discounted at a market interest rate and are classified based on their expected repayment dates with any advances not expected to be repaid within the next twelve months reported as long-term. Grower advances are reviewed on a regular basis to determine their recoverability.

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

| | December 31, 2022 (\$) | 2021 (\$) |
|--|------------------------------|------------------|
| Advances expected to be recovered within the next twelve months | 1,438,391 | 2,699,216 |
| Advances with an expected recovery date later than twelve months | 885,229 | - |
| | 2,323,620 | 2,699,216 |

At December 31, 2022, short-term grower advances includes \$516,554 (2021 – \$283,616) receivable from a related party (note 18).

8. Derivative assets

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 currency exchange contracts, originally with 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. In December 2022 the maximum amount was increased to US\$14 million.

At December 31, 2022 the net forward currency exchange contracts allowed the Company to purchase US dollars for less than by acquiring them on the spot market, and a derivative asset has been recognized. The carrying value of the derivative assets of \$38,712 represents the difference between the cost to acquire US dollars on the spot market and through the forward currency exchange contracts discounted for the time value of money. Net gains and losses on the valuation of these derivative assets throughout the year has been recorded as an unrealized gain on derivative assets and is included in the current year's net loss.

During the year ended December 31, 2022 the Company's European subsidiary purchased US dollars utilizing its forward currency exchange facility. The difference between the cost to acquire the US dollars through the forward currency exchange contracts and the spot market at the time of purchase has been recorded as a realized gain on derivative assets and is included in the current year's consolidated statement of comprehensive loss.

9. Investment securities

Upon the sale of its Colombian subsidiary and related intellectual property in June 2019, Organto received common shares of Xebra Brands Ltd. ("Xebra") and a right of first refusal ("ROFR") to distribute Xebra's cannabis products throughout Europe. Xebra is a Canadian cannabis company developing cannabis-based consumer products, with a focus on cannabis-infused beverages. Xebra's common shares were listed on the Canadian Securities Exchange in October 2021 under the trading symbol XBRA.

In June 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 of 2021.

At December 31, 2022 the Company held 3,281,278 common shares of Xebra (December 31, 2021 – 3,281,278), of which 1,238,277 (December 31, 2021 – 3,281,278) are subject to trading restrictions that expire between March 2023 and September 2023. At December 31, 2022 the Company revalued the Xebra shares to a carrying value of \$92,541 (December 31, 2021 - \$1,051,615) which represents a discount to their market value of \$98,438 (December 31, 2021 - \$1,246,886) to reflect these trading restrictions and the Company recognized a revaluation loss of \$959,074 for the year ended December 31, 2022 (December 31, 2021 – gain of \$587,209). Subsequent to December 31, 2022 the market value of the Xebra shares held by the Company has fluctuated between \$22,969 and \$229,689.

On March 1, 2023 Xebra consolidated their shares on a one for five basis reducing the number of shares owned by the Company to 656,256 shares.

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

10. 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”). The amortization of trade names and customer and supplier relationships is included in selling, general and administrative expenses on the consolidated statement of comprehensive loss.

Intangible assets also include the cost of externally acquired and developed software used in the design and implementation of new reporting software for the Company’s European subsidiaries. Development of this reporting software is expected to continue until its target date for implementation in 2023. Amortization of the software asset will begin upon implementation.

| | Intangible assets | | | | |
|--|--------------------------|------------------------------------|-----------------|------------------|-----------------|
| | Trade names | Customer and supplier lists | Software | Total | Goodwill |
| | (\$) | (\$) | (\$) | (\$) | (\$) |
| Cost | | | | | |
| Balance, January 1, 2021 | - | - | - | - | - |
| Additions | 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 |

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

| | Intangible assets | | | | Goodwill (\$) |
|--|---------------------|-------------------------------------|------------------|------------------|------------------|
| | Trade names (\$) | Customer and supplier lists (\$) | Software (\$) | Total (\$) | |
| Cost | | | | | |
| Balance, January 1, 2022 | 66,070 | 1,068,231 | - | 1,134,301 | 757,439 |
| Additions | - | - | 118,355 | 118,355 | - |
| Impairment | (40,193) | (488,492) | - | (528,685) | (753,019) |
| Foreign exchange | - | (5,962) | - | (5,962) | (4,420) |
| At December 31, 2022 | 25,877 | 573,777 | 118,355 | 718,009 | - |
| Accumulated amortization | | | | | |
| Balance, January 1, 2022 | (12,663) | (34,864) | - | (47,527) | - |
| Amortization | (13,214) | (105,665) | - | (118,879) | - |
| Foreign exchange | - | (1,265) | - | (1,265) | - |
| At December 31, 2022 | (25,877) | (141,794) | - | (167,671) | - |
| Net carrying value at December 31, 2022 | - | 431,983 | 118,355 | 550,338 | - |

An impairment test of each of the Fresh Organic Choice, Beeorganic and the ZMS cash-generating ("CGU"s) was carried out at December 31, 2022. The Company estimated the recoverable amounts based on value-in-use of each CGU. The Company recognized an impairment loss for the year ended December 31, 2022 as follows:

| | (\$) |
|---|------------------|
| Fresh Organic Choice: | |
| Trade name | 40,193 |
| Customer list | 207,581 |
| Goodwill | 176,713 |
| Beeorganic | |
| Customer list | 70,984 |
| Goodwill | 423,445 |
| ZMS | |
| Customer and supplier lists | 209,927 |
| Goodwill | 152,861 |
| Impairment of goodwill and intangible assets | 1,281,704 |
| Represented by: | |
| Impairment of intangibles | 528,685 |
| Impairment of goodwill | 753,019 |
| Impairment of goodwill and intangible assets | 1,281,704 |

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 first three years after acquisition. The

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

common shares are subject to escrow provisions and will become freely tradable in equal amounts also over the first three years after acquisition.

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 first three years after acquisition. The common shares are subject to escrow provisions and will become freely tradable in equal amounts also over the first three years after acquisition.

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 first three years after acquisition.

The consideration paid to acquire the shares of Fresh Organic Choice BV in January 2021 and Beeorganic BV in November 2021 included earnout provisions whereby the former owners could receive up to 250,000 euros if certain performance targets were met in the three years after acquisition. These earnouts were initially recorded in accounts payable at acquisition at their fair value of \$160,868 and were to be accreted to their face values over their three year terms. Carrying values of the Company's intangible assets and earnout liabilities are assessed regularly and at December 31, 2022 the Company reduced the carrying value of the earnout liabilities to nil based on projected commercial activities for 2023 and 2024. As a result, the Company recorded a gain of \$198,274 on the revaluation of the earnout liabilities.

The intangible assets acquired in the Fresh Organic Choice and Beeorganic acquisitions are not deductible for income tax purposes and deferred income taxes of \$131,500 were recognized and added to their respective goodwill's carrying value in 2021. As a result of the revaluation of their carrying values, the provision for deferred income taxes has been reduced to \$64,800 and the Company recorded a recovery of deferred income taxes of \$66,700.

The allocation of consideration paid in 2021 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 |

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

11. Government loans and grants

Canada

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. Originally, the loan could be repaid at any time and \$20,000 of the loan would be forgiven if repaid in full before December 31, 2022. In October 2022 the Company was advised that the repayment deadline for partial loan forgiveness was extended from December 31, 2022 to December 31, 2023. If not repaid by December 31, 2023, the loan can be converted into a 3-year term loan at 5% annual interest paid monthly effective January 1, 2025.

Netherlands

In response to the COVID-19 global pandemic, the Netherlands government implemented a tax payment extension for certain taxes beginning in March 2020. Payment of amounts deferred under this program are to begin in October 2022 and continue through October 2027. As long as payments are made, no interest is charged but missed or late payments are charged interest at rates between 1% and 4% depending on the payment’s due date. Earlier payments are allowed.

Amounts payable under this program consist of payroll withholding taxes. Amounts with payment due dates after December 31, 2023 are recognized at fair value and the difference between their fair value and their original amount is recognized as a government grant and that government grant is reported in other loss (note 16). Amounts with payment due dates prior to or on December 31, 2023 are recognized at their face value and recorded in accounts payable and accrued liabilities.

| | December 31, | |
|---|---------------------|---------------|
| | 2022 | 2021 |
| | (\$) | (\$) |
| Current: | | |
| Canada CEBA loan | 60,000 | 60,000 |
| Taxes payable under the Netherlands tax payment extension program | 81,503 | - |
| | 141,503 | 60,000 |
| Long-term: | | |
| Taxes payable under the Netherlands tax payment extension program | 160,360 | - |
| | 301,863 | 60,000 |

12. 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.

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

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 were unsecured and had a term of two years and bore interest at 8% annually, payable in arrears beginning one year after their date of issuance.

The debentures were convertible into shares of Organto at \$0.30 per share and interest was not convertible. The holder could convert all or part of the debentures at any time and the Company could prepay all or part of the debentures at any time. The Company had the right to force conversion of the Debentures any time after April 29, 2021 if the closing price of the Company's shares exceeded \$0.45 or more for ten consecutive trading days.

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 was 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 share at a price of \$0.30 for a period of two years. These finder warrants had a total fair value of \$65,691 which was determined using the Black-Scholes Option Pricing Model.

Debentures with a face value of \$522,000 were converted in 2021 resulting in the issuance of 1,739,995 common shares.

On their maturity date of December 29, 2022, \$1,655,850 were repaid by issuing new convertible debentures ("December 2024 series" below). The remaining \$1,138,000 of debentures were repaid in cash in January 2023 and are classified as short-term (note 24).

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 was repaid in January 2023 and is classified as short-term (note 24).

December 2024 series

In December 2022 the Company issued convertible debentures with a total face value of \$1,655,850 to pay maturing debentures from the December 2022 series. The December 2024 debentures are unsecured and have a term of two years and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance.

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

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, 2023, 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.

A total of \$66,894 in transactions costs were incurred of which \$55,284 was paid in cash. The finders were also issued 184,280 warrants with each warrant entitling the holder to purchase one common share at a price of \$0.30 for a period of two years. These finder warrants had a total fair value of \$11,610 which was determined using the Black-Scholes Option Pricing Model.

The issuance of this series of debentures is considered an extinguishment of the December 2022 series of debentures. As such, the fair value of both the debt component and the equity component of the debentures must be calculated with any excess over face value, together with any transaction costs recorded as a loss.

The Company recorded \$1,483,600 as the fair value of the debt component of the debentures, and \$201,823 as the fair value of 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.

The Company recognized a loss on the extinguishment of the December 2022 series of debentures when it issued the December 2024 series of debentures as follows:

| | (\$) |
|--|---------------|
| Fair value of the debt component of the December 2024 debentures | 1,483,600 |
| Fair value of the equity component of the December 2024 debentures | 201,823 |
| Face value of the debt component of the December 2022 debentures | (1,655,850) |
| Transaction costs | 66,894 |
| Loss on extinguishment of the December 2022 debentures | 96,467 |

The loss from the extinguishment of the December 2022 debentures is included in the consolidated statement of comprehensive loss (note 17).

With a maturity date of December 29, 2024, 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.

Transaction costs of \$956,627 were paid in cash including \$126,084 in finder's fees. Finder's fees totaled \$483,000 and included 966,000 warrants with each warrant entitling the holder to purchase one common share at a price of \$0.50 for a period of two

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

years. These finder warrants have a total fair value of \$258,888 determined using the Black-Scholes Option Pricing Model. 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:

| | (\$) |
|---|------------------|
| 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 |
| Accretion | 509,531 |
| Prepaid in cash | (40,336) |
| Repaid with new debentures | (1,655,850) |
| Issued to settle maturing debentures | 1,685,423 |
| Allocated to equity component | (201,823) |
| Balance at December 31, 2022 | 8,679,342 |

Convertible debentures by maturity:

| | |
|-------------------------------------|------------------|
| 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 |
| Maturing in less than one year | 1,446,804 |
| Maturing in more than one year | 7,232,538 |
| Balance at December 31, 2022 | 8,679,342 |

Accrued interest on all outstanding debentures totals \$322,867 and is recorded in accounts payable and accrued liabilities at December 31, 2022 (December 31, 2021 - \$336,539).

13. Share capital

(a) Common shares

The Company is authorized to issue an unlimited number of common shares without par value. At December 31, 2022 the Company had 282,233,826 (December 31, 2021 - 277,386,653) common shares issued and outstanding.

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 January 2021 the Company issued 839,570 common shares as part of the consideration paid to acquire 100% of Fresh Organic Choice (note 10). These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

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 were subject to a hold period which expired 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.

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 10). 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 10). 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.

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, 2021 | 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 |
| Granted | 1,535,000 | 0.223 | 372,000 | 0.221 |
| Vested | - | - | 3,701,000 | 0.224 |
| Exercised | (1,500,000) | 0.07 | (1,500,000) | 0.07 |
| Expired | (1,970,000) | 0.212 | (1,653,750) | 0.192 |
| Balance at December 31, 2022 | 19,935,000 | 0.203 | 14,075,000 | 0.171 |

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

A summary of the Company's share options outstanding and exercisable at December 31, 2022 is as follows:

| Exercise price (\$) | Average years to expiry | Number of options outstanding | Number of options exercisable |
|------------------------|----------------------------|-------------------------------------|-------------------------------------|
| 0.07 | 1.97 | 4,000,000 | 3,840,000 |
| 0.08 | 1.42 | 60,000 | 30,000 |
| 0.10 | 2.65 | 2,780,000 | 2,188,000 |
| 0.135 | 0.95 | 2,615,000 | 2,615,000 |
| 0.15 | 0.49 | 600,000 | 600,000 |
| 0.18 | 2.93 | 300,000 | 300,000 |
| 0.20 | 4.75 | 85,000 | 17,000 |
| 0.21 | 4.98 | 1,300,000 | 325,000 |
| 0.265 | 2.98 | 1,695,000 | 1,125,000 |
| 0.285 | 3.06 | 700,000 | 460,000 |
| 0.30 | 3.96 | 1,825,000 | 730,000 |
| 0.35 | 4.08 | 150,000 | 30,000 |
| 0.37 | 3.90 | 3,375,000 | 1,455,000 |
| 0.42 | 3.16 | 300,000 | 300,000 |
| 0.43 | 3.64 | 150,000 | 60,000 |
| | 2.79 | 19,935,000 | 14,075,000 |

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 the year ended December 31, 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 the year ended December 31, 2022 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 109-113%, risk free interest rates of 1.59%-3.52%, expected lives of 5 years and no dividend yield.

The fair value of the options granted during the year ended December 31, 2022 was \$170,220 (2021 - \$1,656,225) and the Company recognized \$718,642 (2021 - \$897,791) as stock-based compensation expense relating to options that vested.

The average share price during the year related to options exercised was \$0.126 (2021 - \$0.359).

(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'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. The option to settle the RSUs in cash or in shares is also at the option of the Board of Directors.

In December 2022 the Company granted 1,300,000 RSUs with one half vesting in December 2023, one quarter vesting in June 2024 and the final quarter vesting in December 2024. During the year ended December 31, 2022 the Company recorded \$198,375 (2021 - \$423,118) as stock-based compensation expense relating to RSUs that vested.

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

At December 31, 2022 a total of 3,775,000 RSUs were outstanding, of which 821,250 had vested. No vested RSUs were paid in the years ended December 31, 2021 and 2022.

(e) Warrants

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.

In December 2022 the Company issued 184,280 warrants in connection with the convertible debentures issued in December 2022. 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 \$11,610 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 109%, risk free interest rate of 4.03%, expected life of 2 years and no dividend yield. The value of these warrants was classified as a transaction cost for the debentures and is recorded in the current period's loss on extinguishment of debentures (note 17).

Warrants outstanding and exercisable at December 31, 2022 are as follows:

| Grant date | Number of warrants | Exercise price (\$) | Expiry Date |
|---------------|--------------------|---------------------|---------------|
| January 2021 | 62,000 | 0.30 | January 2023 |
| November 2021 | 966,000 | 0.50 | November 2023 |
| December 2022 | 184,280 | 0.30 | December 2024 |
| | 1,212,280 | 0.459 | |

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

| | Number of warrants | Weighted average exercise price (\$) |
|-------------------------------------|--------------------|--------------------------------------|
| Balance at January 1, 2021 | 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 |
| Issued | 184,280 | 0.30 |
| Exercised | (121,860) | 0.10 |
| Expired | (555,810) | 0.17 |
| Balance at December 31, 2022 | 1,212,280 | 0.459 |

The average share price on the date of exercise of the warrants was \$0.15 (2021 – \$0.358).

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

(f) Reserves

| | Options and RSUs (\$) | Warrants (\$) | Other reserves (\$) | Cumulative translation (\$) | Total (\$) |
|-------------------------------------|-----------------------------|------------------|---------------------------|-----------------------------------|------------------|
| Balance, January 1, 2021 | 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 |
| Stock-based compensation | 917,017 | - | - | - | 917,017 |
| Exercise of stock options | (73,500) | - | - | - | (73,500) |
| Convertible debentures prepaid | - | - | (665) | - | (665) |
| Issue of convertible debentures | - | - | 201,823 | - | 201,823 |
| Fair value of warrants issued | - | 11,610 | - | - | 11,610 |
| Accumulated comprehensive loss | - | - | - | (266,255) | (266,255) |
| Balance at December 31, 2022 | 3,632,585 | 746,735 | 2,601,095 | 414,573 | 7,394,988 |

14. Cost of sales

| | Year ended December 31 | |
|----------------------------|---------------------------|-------------------|
| | 2022 (\$) | 2021 (\$) |
| Produce purchases (note 6) | 17,291,749 | 14,972,182 |
| Freight | 2,207,820 | 1,993,785 |
| Packaging and other | 1,360,021 | 566,050 |
| | 20,859,590 | 17,532,017 |

15. Selling, general and administration expenses

| | Year ended December 31 | |
|---------------------------|---------------------------|------------------|
| | 2022 (\$) | 2021 (\$) |
| Administration and office | 1,672,952 | 1,479,977 |
| Professional fees | 886,811 | 747,026 |
| Amortization (note 10) | 118,879 | 47,530 |
| Bad debt expense | 188,427 | 3,761 |
| | 2,867,069 | 2,278,294 |

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

16. Other gain (loss)

| | Year ended December 31 | |
|--------------------------------|---------------------------|------------------|
| | 2022 (\$) | 2021 (\$) |
| Financing fee received | - | 7,000 |
| Insurance claim | - | 8,715 |
| Legal claim | 24,099 | (188,874) |
| Revaluation of grower advances | (634,568) | - |
| Sale of Xebra ROFR (note 9) | - | 34,000 |
| Government grant (note 11) | 81,466 | - |
| | (529,003) | (139,159) |

In 2021, the Company received notice of a claim against its subsidiary in Guatemala for events that took place in 2018 and provisionally accrued \$188,874 to resolve the claim. The Company paid \$164,775 to settle this claim in July 2022.

17. Gain (loss) on settlement of debt

| | Year ended December 31 | |
|--|---------------------------|------------------|
| | 2022 (\$) | 2021 (\$) |
| Gain on settlement of accounts payable | 28,261 | 142,480 |
| Loss on settlement of convertible debentures (note 12) | (96,467) | - |
| Loss on shares for bank loan settlement | - | (715,384) |
| | (68,206) | (572,903) |

In December 2020, a bank loan with a term of 2 years was established with a Mexican 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.

18. Related party transactions

(a) Directors and key management personnel compensation:

| | Year ended December 31 | |
|--|---------------------------|------------------|
| | 2022 (\$) | 2021 (\$) |
| Salaries, consulting and management fees | 1,010,399 | 647,299 |
| Stock based compensation | 707,797 | 513,443 |
| | 1,718,196 | 1,160,742 |

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended December 31, 2022 and 2021.

(b) Transactions with related parties:

| | Year ended December 31 | |
|-------------------------|---------------------------|--------------|
| | 2022 (\$) | 2021 (\$) |
| Administrative services | 561,059 | 311,994 |
| Produce sales | - | 15,569 |
| Produce purchases | 206,241 | 588,517 |

(c) Outstanding balances payable (receivable):

| | December 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| | (\$) | (\$) |
| Salaries, consulting and management fees | 107,019 | 277,860 |
| Interest on convertible debentures | 37,356 | 44,297 |
| Administration services | - | - |
| Expense reimbursements | 5,111 | 6,941 |
| Advances to suppliers (note 7) | (516,554) | (283,616) |
| Product sales | (21,112) | - |

19. Supplemental cash flow information

| | Year ended December 31 | |
|--|---------------------------|------------------|
| | 2022 (\$) | 2021 (\$) |
| Items not involving cash: | | |
| Amortization | 118,879 | 47,530 |
| Bad debt expense | 188,427 | 3,761 |
| Stock-based compensation | 917,017 | 1,320,909 |
| Interest expense and accretion | 1,526,439 | 971,287 |
| Foreign currency translation | (225,705) | (62,881) |
| Other loss | 529,003 | 154,194 |
| Loss on settlement of debt | 68,206 | 572,903 |
| Unrealized loss (gain) on revaluation of investment securities | 959,074 | (587,209) |
| Unrealized gain on revaluation of derivative assets | (25,314) | - |
| Impairment of goodwill and intangible assets | 1,281,705 | - |
| Recovery of earnout liability | (198,274) | - |
| Impairment of goodwill and intangible assets | (66,700) | - |
| | 5,072,757 | 2,420,494 |

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

| | Year ended December 31 | |
|--|---------------------------|--------------------|
| | 2022 (\$) | 2021 (\$) |
| Changes in non-cash working capital: | | |
| Receivables | 763,521 | (226,878) |
| Inventories | 80,906 | (66,044) |
| Grower advances | 566,895 | - |
| Prepaid expenses | (73,927) | (2,074,493) |
| Accounts payable and accrued liabilities | (386,894) | 127,123 |
| Factored accounts receivable | (30,665) | 103,657 |
| | 919,836 | (2,136,635) |

Non-cash investing and financing activities includes the following:

Common shares issued or issuable:

| | | |
|---|---|---------|
| as part of Fresh Organic Choice acquisition | - | 179,495 |
| as part of Beeorganic acquisition | - | 402,816 |
| as part of ZMS business acquisition | - | 394,954 |
| on conversion of debentures | - | 212,000 |
| as signing bonus | - | 512,500 |

Common shares cancelled:

| | | |
|--|---|-----------|
| as part of the sale of the processing plant in Guatemala | - | (440,494) |
|--|---|-----------|

20. Segmented information

The Company has one reportable business segment, being the sourcing, processing, packaging, distribution and marketing of organic and specialty food products in Europe.

In the year ended December 31, 2022, 26% of the Company's sales were to 3 customers with each customer accounting for at least 5% of total sales. In the year ended December 31, 2021, 16% of the Company's sales were to 2 customers with each customer accounting for at least 5% of total sales.

In the year ended December 31, 2022, 51% of the Company's purchases were to 4 suppliers with each supplier accounting for at least 5% of total purchases. In the year ended December 31, 2021, 48% of the Company's purchases were to 5 suppliers with each supplier accounting for at least 5% of total purchases.

Information by geographical areas is as follows:

| | December 31, 2022 (\$) | December 31, 2021 (\$) |
|---------------------------|------------------------------|------------------------------|
| Non-current assets | | |
| Canada | - | 1,051,615 |
| Netherlands | 1,435,567 | 1,844,213 |
| | 1,435,567 | 2,895,828 |

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

21. Commitments

At December 31, 2022 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 | 236,492 | - | - | 236,492 |
| Administration services | 2,169 | - | - | 2,169 |
| Labour and benefits | 360,268 | 116,487 | - | 476,755 |
| Property lease | 105,840 | 105,840 | - | 211,680 |
| Software development costs | 118,142 | 56,444 | - | 174,586 |
| Forward currency exchange contracts | 21,409,511 | - | - | 21,409,511 |
| | 22,232,422 | 278,771 | - | 22,511,523 |

The Company has 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\$14 million in open contracts. As part of this facility, the Company was required to guarantee the European subsidiary's obligations under the facility.

In December 2022 the Company's European subsidiary signed a lease for warehouse space with an effective start date of January 1, 2023 and a term of two years with a monthly cost of €8,820.

22. 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, 2022 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, 2022, the Company had working capital of \$2,867,046 (2021 – \$9,682,809). 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.

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

(c) Market risks – interest rate

The Company is exposed to interest rate risk as part of its factoring facility which is based on EURIBOR.

(d) Currency risks

The Company is exposed to currency risk as part of its hedging facility under which the Company has entered into forward currency exchange contracts. At December 31, 2022 the Company had entered into contracts to purchase \$15,753,140 US dollars by February 2024 at rates between 1.0394 and 1.1249 EUR per USD.

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 \$522,000.

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.

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;

Organto Foods Inc.

Notes to the Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

- the fair value of the Company's investment securities is based on period-end closing prices less a discount, calculated using volatility, for lack of marketability; and
- the fair value of the liability component of the Company's convertible debentures was based on level 2 inputs.

23. 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, | |
|---|----------------------------|--------------|
| | 2022 (\$) | 2021 (\$) |
| Net loss for the year | (10,894,911) | (6,340,664) |
| Statutory tax rate | 27% | 27% |
| Income taxes (recovery) computed at statutory rates | (2,941,600) | (1,712,000) |
| Foreign tax differences, rate changes, foreign exchange and other | 398,900 | 859,000 |
| Expiry of non-capital losses carried forward | 17,100 | 46,500 |
| Non-deductible items | 272,500 | 683,400 |
| Share issue costs | (35,400) | (29,700) |
| Change in valuation allowance of deferred taxes | 2,355,200 | 152,800 |
| Recovery of deferred income taxes | 66,700 | - |

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, 2022 and 2021 are as follows:

| | December 31, | |
|---|-----------------|------------------|
| | 2022 (\$) | 2021 (\$) |
| Net operating losses carried forward | 5,976,000 | 4,983,000 |
| Share issue costs | 17,600 | 33,500 |
| Equipment and other | 2,074,000 | 1,650,800 |
| | 8,067,600 | 6,667,300 |
| Tax benefits not recognized | (8,067,600) | (6,667,300) |
| Deferred tax liability related to intangible assets | (64,800) | (131,500) |
| | (64,800) | (131,500) |

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

| | December 31, 2022 (\$) |
|---|------------------------------|
| Canada - expires between 2035 and 2042 | 13,368,700 |
| Netherlands - no expiry | 14,543,500 |
| Argentina - expires between 2022 and 2027 | 239,800 |
| Mexico - expires between 2028 and 2032 | 376,600 |
| | 28,528,600 |

Organto Foods Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

24. Subsequent events

Acquisition of New Fruit Group

In January 2023 Organto acquired 100% of the outstanding shares of NFG New Fruit Group GmbH, a privately held German corporation and provider of organic and non-GMO (genetically modified organism) banana, avocado and mango. The purchase consideration includes the payment of 250,000 euros in cash on closing, the issuance of 2,250,000 common shares of Organto, a note payable of up to 400,000 euros based on the working capital balance on the acquisition date bearing interest at 2%, payable equally over three years and an earn-out to the former owners of up to 650,000 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 five years.

Convertible debentures

In February 2023 convertible debentures with a face value of \$295,000 were issued for net proceeds of \$277,300 after finders fees. These debentures are unsecured and have a term of two years and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance. The debentures are convertible into common 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 4 months from the date of issuance, the closing price of the Company's shares exceeds the conversion price by \$0.45 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures. In connection with these debentures, the Company issued 59,000 finders warrants with each warrant entitling the holder to purchase one common shares at a price of \$0.30 for a period of two years and paid a cash finders fee of \$17,700.

In March 2023 convertible debentures with a face value of \$238,000 were issued for net proceeds of \$223,720 after finders fees. These debentures are unsecured and have a term of two years and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance. The debentures are convertible into common 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 4 months from the date of issuance, the closing price of the Company's shares exceeds the conversion price by \$0.45 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures. In connection with these debentures, the Company issued 47,600 finders warrants with each warrant entitling the holder to purchase one common shares at a price of \$0.30 for a period of two years.

In March 2023 convertible debentures with a face value of \$500,000 were issued for net proceeds of \$500,000. These debentures are unsecured and have a term maturing in December 2024 and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance. The debentures are convertible into common 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 4 months from the date of issuance, the closing price of the Company's shares exceeds the conversion price by \$0.45 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures.

Stock options

In February 2023 1,000,000 stock options were exercised for proceeds of \$70,000.

In March 2023 300,000 options were granted to employees with an exercise price of \$0.19 per share and a term of five years. 60,000 of these options vested immediately and the balance will vest between 2024 and 2027.