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ORGANTO FOODS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended
December 31, 2022

(Stated in Canadian Dollars)

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") provides an overview of the business and operations of Organto Foods Inc. for the year ended December 31, 2022. This report should be read in conjunction with the Company's December 31, 2022 audited annual consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Additional information regarding the Company, including our Annual Information Form, is available on SEDAR at www.sedar.com and our website at www.organto.com.

Except where the context otherwise requires, all references in this MD&A to the "Company", "we", "us", "our" and "Organto" or similar words and phrases relate to Organto Foods Inc. and its subsidiaries, taken together.

All currency amounts are expressed in Canadian dollars unless noted otherwise. In addition, "this quarter" or "current quarter" refers to the three months ended December 31, 2022.

This MD&A is dated May 4, 2023.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to as "forward-looking statements"). Often, but not always, forward-looking statements can be identified by the use of words such as "plans," "expects" or "does not expect," "is expected," "planned," "budget," "scheduled," "estimates," "continues," "forecasts," "projects," "targets", "predicts," "intends," "anticipates" or "does not anticipate," or "believes," or variations of such words and phrases, or statements that certain actions, events or results "may," "could," "would," "should," "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any of our future results, performance or achievements expressed or implied by the forward-looking statements; consequently, undue reliance should not be placed on forward-looking statements.

Forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about our ability to carry out our plans and objectives; our ability to sell our products through traditional, on-line and specialty retailers, distributors and other channels; our ability to build and expand our branded products portfolio; our ability to procure required volumes of both organic and specialty produce from strategic third party suppliers; our ability to meet import and export requirements; our ability to attract and retain skilled personnel and professionals; our ability to operate and/or partner with strategic suppliers around the globe; our ability to acquire complimentary businesses on acceptable terms and subsequently integrate and operate these businesses; the impact of changes in foreign exchange rates on costs and results; transportation and logistics availability and costs; market competition; ongoing relations with our personnel and with our business partners; the availability of equity and other financing on reasonable terms; our ability to realize a return on our investment securities; and general business and economic conditions.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Whether actual results and developments will agree with our expectations and predictions is subject to many risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from our expectations and predictions. We believe these factors include, but are not limited to, the following:

- we have a limited operating history and may incur further losses until our operating platform achieves scale;
- there is risk in our ability to continue as a going concern due to losses incurred as we build our operating platform combined with risk in our working capital position and our accumulated deficit, all of which could impact our ability to continue operations;
- we may not be able to secure financing required to meet future capital needs to continue operations;
- we have a history of negative cash flows from operating activities and may need to raise additional financing to fund operations;
- additional financing may dilute common shareholders or place restrictions on our operations;
- we operate in a competitive global industry and the actions of competitors could impact revenues and profitability;

- we must attract and retain key personnel and professionals to achieve our business objectives;
- our customers are generally not obligated to continue to purchase products from us;
- consumer food preferences are difficult to predict and may change;
- if we do not manage our supply chain effectively, our operating results may be adversely affected;
- adverse weather conditions and/or natural disasters could impact costs and availability of our products;
- we are subject to transportation risks;
- volatility in the prices of raw materials, packaging and freight, fuel and energy could increase our cost of sales and reduce gross margin;
- we are subject to the risk of product contamination and product liability claims which could adversely affect our results and financial condition;
- loss of a key grower could materially reduce revenues and earnings;
- our international operations expose us to risks inherent with the countries where we are doing business;
- information technology failures could disrupt our operations and negatively impact our business;
- our business is subject to numerous environmental and food safety regulations and policies;
- the COVID-19 pandemic and Russia/Ukraine war have significantly impacted worldwide economic conditions and could have a material effect on our business and resulting financial condition;
- we may not be able to effectively manage our growth and integrate acquired companies;
- we may not be able to fully recover all amounts advanced to third party growers;
- impairment charges related to long-lived assets or goodwill could adversely affect our business;
- our investment in securities of a cannabis business indirectly exposes us to risks associated with laws and regulations governing cannabis, which are still developing in many parts of the world, and could have an impact on our plans to realize a return on our investment;
- our stock price may be volatile, which may impact returns to our shareholders;
- our common shares are thinly traded and our shareholders may be unable to sell at or near ask prices, or at all;
- we do not anticipate paying any cash dividends to our common shareholders and as a result, shareholders may only realize a return when their shares are sold; and
- our business is subject to changing regulations related to corporate governance and public disclosure that may increase both our costs and risk of non-compliance.

Consequently, all forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that our actual results or the developments we anticipate will be realized. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements and the detailed risks and uncertainties that are included in this report.

NON-IFRS FINANCIAL MEASURES

The information presented herein refers to the non-IFRS financial measure of adjusted gross profit. This measure is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Non-IFRS financial measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS and are unlikely to be comparable to similar measures presented by other issuers. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective and thus highlight trends in its business that may not otherwise be apparent when relying solely on IFRS measures. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of the Company. The Company's management also uses non-IFRS financial measures to facilitate operating performance comparisons from period to period and to prepare annual operating budgets and forecasts.

STRATEGY

Organto is an integrated provider of organic and specialty fruit and vegetable products focused on serving socially responsible and health-conscious consumers around the globe. Our purpose is "to bring healthy and nutritious fresh organic fruit and vegetable products to market by creating sustainable and transparent linkages between growers and end markets." In hand with this our vision is "to be a leading global provider of fresh organic fruit and vegetable products utilizing an integrated business model, trusted for driving equitable returns to all parties in the value chain." Our mission is to "make fresh organic fruit and vegetable products available for every consumer".

We employ a business model that is integrated from the "field to the table". Driven by consumer and retailer demand for healthy and organic food products, we continue to build out a platform to deliver value-added branded, private label and bulk distributed products to meet these needs via an integrated business model with diverse sourcing, logistics, processing, packaging, distribution and marketing capabilities. Our objective is to provide year-round product supply for many of our products and complete traceability from the table back to the field. Our model is rooted in our commitment to sustainable business practices focused on environmental responsibility and our commitment to the communities where we operate, our people and our shareholders.

As our strategy has evolved, we repositioned from an asset-heavy, single revenue stream business model to an asset-light, multi-stream revenue model during 2018 and 2019. In doing so we exited our own growing, processing and packaging operations in favor of strategic third-party growing, processing and packaging relationships, expanded our organic and non-GMO (genetically modified organism) foods portfolio with the addition of a variety of organic and non-GMO fruits and vegetables and packaging formats, and increased our go-to-market channels to include branded, private label and bulk distributed product offerings. This product and channel expansion has increased our revenue streams and our presence in key markets, while at the same time significantly deepening our relationships with strategic third-party supply partners. In addition, as part of our strategy to expand our product portfolio and markets served, we have completed a number of acquisitions which have and will continue to contribute to the growth of our business.

We believe that the demand for healthy and organic foods will continue to grow and supply availability will be an important factor to this growth being realized. According to the US Organic Trade Association (OTA) sales of organic foods grew 5.0% in 2019 to approximately US$50.1 billion, another 12.8% in 2020 to approximately US$56.0 billion, and another 2.7% in 2021 to approximately US$ 57.5 billion, growing at rates that are normally faster than that of conventional products. Organic foods sales in the US now represents approximately 6% of total food sales. It is estimated that 83% of Americans buy organic food at least some of the time and fresh produce continues to be the primary gateway by which consumers enter the organic foods space. Furthermore, over half of all households in the US have purchased organic produce and the fresh produce segment is the largest within the organic segment, representing approximately 15% of all the produce that Americans eat, and approximately 36% of total US organic foods spend. And this is not just a US phenomenon. The organic market in Europe also continues to grow. In 2016 the market increased by approximately 11% and reached approximately Euro 33.5 billion, in 2017 it grew another 11%, reaching approximately Euro 37.3 billion in 2018 another 8% to Euro 40.7 billion, another 8% in 2019 to Euro 45.0 billion, and in 2020 it also grew another 15% to Euro 52.0 billion, of which Euro 44.8 billion were in the European Union. In fact, retail sales of organic products in the European Union have grown from Euro 18 billion in 2009 to Euro 44.8 billion in 2020, an increase of approximately 149%. Today the European Union is the second largest market for organic products behind only the United States. Globally European countries account for the highest share of organic food sales as a percentage of total food sales, with demand for organic foods increasing around the globe.

It is our belief in these growing markets and consumer trends, combined with our objective of building an efficient year-round supply chain platform and branded product capabilities for many of our products that underlies our strategic focus and our vision of being a leading global provider of fresh organic fruit and vegetable products utilizing an integrated asset-light business model, serving a growing socially responsible and health-conscious consumer around the globe.

Our long-term growth strategy is to build a differentiated ethics driven "one-stop shop" in fresh organic and specialty fruit and vegetable products fueled by a combination of strong internal growth and acquisitions. This long-term growth strategy is anchored by our three core operational strategies: *Build Supply and Product Offering, Build Brands and Build Infrastructure*.

- *Build Supply and Product Offering* – development of efficient and reliable year-round integrated supply chain capabilities to expand our product portfolio;
- *Build Brands* – building the Organto "I AM Organic" brand as a leading brand with retailers and food consumers; and
- *Build Infrastructure* – responsibly building-out the organization with resources necessary to allow the business to scale as required in a cost-efficient and timely manner

In hand with our private label and bulk distributed product capabilities, we have developed a branded go-to-market strategy for our organic and non-GMO vegetable and fruit products. Our "I AM Organic" brand has been developed with the objective of linking consumer demand for visibility, transparency, sustainability and convenience with our product offering, utilizing an innovative digital passport technology which we believe is unique to the industry. Our ability to drive a differentiated branded products strategy for our organic fruit and vegetable product offerings is based on our assessment of market demand, our year-round supply capabilities and our intention to provide a differentiated value-added product offering. Our non-GMO brand, =Awesome, provides a unique brand bringing flavor to life via the power of nature. In hand with our branded products focus, we also work with retail and distribution partners to provide value-added private label and bulk distributed offerings, with the objective of maximizing supply chain and operating efficiencies while creating category demand for our brands. Our organic and non-GMO foods products are currently being marketed to a variety of European customers and will be followed by introduction to other food markets when deemed appropriate.

HISTORY AND OPERATIONS

In March 2014 Agricola Nuova Terra S.A. (“Agricola”), a privately-owned business, commenced operations to build out a global year-round supply platform focused on the production and distribution of fresh vegetables.

On November 30, 2015, Agricola completed a reverse takeover (the “RTO”) of Columbus Exploration Corporation (“Columbus Exploration”). Columbus Exploration was incorporated on May 18, 2007 under the laws of the Province of British Columbia, Canada. Upon completion of the RTO, Columbus Exploration changed its name to Organto Foods Inc., and Agricola became a wholly-owned subsidiary of Organto Foods Inc. On March 21, 2016, Agricola changed its name to Organto Guatemala, Sociedad Anonima (“Organto Guatemala”).

The name change to Organto Foods Inc. was completed to reflect our focus on strategic sourcing and marketing of healthy organic and non-GMO fresh vegetable and fruit products, along with our commitment to sustainable and socially conscious business practices. While we operated our own growing operations in the past in both Guatemala and Argentina, processing operations in Guatemala and packaging operations in the Netherlands, we exited these operations in 2018 and 2019 in favor of working with strategic third-party growers and service providers in order to grow our business and drive an asset light business model. Our organic and specialty fruit and vegetable products are currently being sold primarily in European markets.

In November 2018 we completed the acquisition of Medicannabis, SAS, a privately held Colombian medicinal cannabis company that was a late-stage applicant to enable it to cultivate and process cannabis in Colombia.

Following an assessment of our strategic focus and market opportunities in organic fruit and vegetable products, the decision was taken to divest of our cannabis assets. As a result, in June 2019 we entered into a share purchase agreement to sell our shares of Medicannabis SAS and related intellectual property to Xebra Brands Ltd. (“Xebra”) for a combination of shares of Xebra, cash and forgiveness of debt. We received shareholder approval and TSX-V acceptance of this transaction in October 2019. Xebra is a Canadian cannabis company developing high-margin cannabis-based consumer products. Xebra’s common shares were listed on the Canadian Securities Exchange in October 2021 under the trading symbol XBRA. Our stated focus is to liquidate our holdings in Xebra, when appropriate, to fund continued expansion of our organic foods platform.

In January 2021 we acquired the shares of Fresh Organic Choice BV (“FORC”), a privately held Dutch corporation, representing the first acquisition under our multifaceted growth strategy. FORC provides a wide range of fresh-cut organic herbs, marketed under the Fresh Organic Choice brand and in private label formats to customers throughout Europe. Similar to Organto, FORC employs a similar asset-light business model, with sourcing primarily from European sources.

In November 2021 we acquired the shares Beeorganic BV (“Beeorganic”), a privately held Dutch corporation. Beeorganic is a year-round provider of fresh fair-trade organic bananas with sales to European based customers. Beeorganic offers a differentiated product offering, combining specific product size specifications with a unique ripening process to deliver great-tasting products to its customers. Similar to Organto, Beeorganic operates an asset-light business model, with its products sourced primarily from strategic Caribbean-based grower partners.

In November 2021 we acquired the operating assets, including customer and supplier relationships and certain trademark applications, of ZMS BV (“ZMS”), a privately held Dutch corporation controlled by Organto’s Co-CEO and another senior member of Organto's European management team and operating as Zimbabwe Marketing Services. ZMS sells non-GMO and organic raspberries, snow peas, sugar snaps and fine green beans sourced from a number of African-based growing regions to a variety of customers, primarily in Europe, using an asset-light business model.

In January 2023 we acquired 100% of the outstanding shares of NFG New Fruit Group GmbH ("NFG") a private German corporation operating since 2019 with sales and marketing offices in Germany and Italy. NFG’s core focus is on organic and non-GMO (genetically modified organism) banana, avocado and mango. NFG is a fully certified organic products supplier with a European sales focus and a strong existing retail customer base in Germany, Italy, France and Denmark. NFG has global supply relationships with established grower partners in the Caribbean, South America and Africa and a leadership team with extensive global organic fruit and vegetable experience.

Our head office is located at 36 Toronto St., Suite 805, Toronto, ON, M5C 2C5, Canada and we have a sales, logistics and administration office in Breda, the Netherlands. Regional satellite offices are located in Mexico, Guatemala and Argentina.

OUTSTANDING SHARE DATA

Our common shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the trading symbol “OGO”, on the Frankfurt Stock Exchange under the trading symbol “OGF” and are quoted on the OTCQB in the United States under the symbol “OGOFF”.

We have authorized capital of an unlimited number of common shares without par value. We have the following capital structure as at the date of this MD&A and December 31, 2022:

	May 4, 2022	**December 31, 2022**
Common shares issued	285,483,826	282,233,826
Share purchase options outstanding ($0.07-$0.43)	19,235,000	19,935,000
Restricted share units	3,775,000	3,775,000
Warrants ($0.10-$0.50)	1,256,880	1,212,280

See “Liquidity and Capital Resources” for further information.

RECENT DEVELOPMENTS

Corporate

In March and February 2023 we completed three tranches of a private placement of unsecured convertible debentures. We raised total gross proceeds of $1,033,000, and net proceeds of $990,487 after fees and related costs. In addition, 106,600 broker warrants were issued with an exercise price of $0.30 and terms of two years. Any common shares issued upon the conversion of the Convertible Notes or exercise of the broker warrants will be subject to hold periods that expire in June and July 2023. These debentures bear interest at an annual interest rate of 10% and are convertible into common shares of Organto (TSX-V:OGO) at a price of $0.30 per share. $500,000 of the debentures mature in December 2024, $295,000 of the debentures mature in February 2025 and $238,000 of the debentures mature in March 2025. If at any time after four months from the date of issuance of the Debentures, the closing price of Organto's common shares as traded on the TSX Venture Exchange is equal to or greater than $0.45 for 10 consecutive trading days or more, Organto may, in its sole discretion, accelerate the conversion of the Debentures. There is no pre-payment penalty.

In January 2023 we acquired 100% of the outstanding shares of NFG New Fruit Group GmbH ("NFG") a private German corporation operating since 2019 with sales and marketing offices in Germany and Italy. NFG’s core focus is on organic and non-GMO banana, avocado and mango. NFG is a fully certified organic products supplier with a European sales focus and a strong existing retail customer base in Germany, Italy, France and Denmark. NFG has global supply relationships with established grower partners in the Caribbean, South America and Africa, and a leadership team with extensive global organic fruit and vegetable experience. We believe there are opportunities to leverage Organto's infrastructure, broad product portfolio, and branded “I AM Organic” product and proprietary digital passport capabilities to further expand NFG’s sales. Purchase consideration included €250,000 in cash, 2,250,000 common shares of Organto which will become freely tradeable equally over 5 years and a note payable of €400,000, subject to certain post-closing conditions, with an interest rate of 2%, payable equally over three years based on certain conditions. In addition, the former owners will be eligible for an earn-out of up to €650,000 based on pre-established growth targets to be attained over a three-year period.

In December 2022 we issued convertible debentures with a face value of $1,655,850 to repay a like amount of maturing debentures. These debentures bear interest at a rate of 10 per cent and expire in December 2024. Interest will be paid annually in arrears in cash. As with the debentures issued in February and March 2023, the debentures have a conversion price of $0.30 if converted by the holder and $0.45 if forced by the company. Insiders of the company purchased $489,450 of these debentures. An additional $1,448,000 debentures matured in December 2022 and early January 2023 and were repaid in cash in January 2023.

In November 2021 we acquired the operating assets of ZMS BV, a privately held Dutch corporation operating as Zimbabwe Marketing Services ("ZMS"). ZMS is a provider of non-GMO and organic raspberries, snow peas, sugar snaps and fine green beans, sourced from a number of African based growing regions and sold to a variety of customers throughout Europe. As part of the acquisition, we acquired all customer and supplier relationships of ZMS plus currently initiated trademark applications for the rights to the Awesome Fruits brand for non-GMO branded fruits in the EU and the Rawsome Fruits brand for organic fruits in the EU. We issued 1,645,643 common shares of Organto valued at €400,000 based on the twenty-day weighted average closing price on the TSX Venture Exchange prior to the closing of the transaction. The common shares issued are subject to escrow provisions and become freely tradable in equal amounts over three years. The assets and operations acquired are expected to be EBITDA accretive to our business and strong growth is projected for the future as operations are combined with our business. The business will be immediately integrated onto our operating platform and ZMS's operations are expected to be easily combined with our existing resources to drive future business opportunities. As this acquisition involved non-arm's length parties, the transaction was reviewed and approved by an independent committee of our Board of Directors of Organto and has been accepted by the TSX Venture Exchange.

In November 2021 we completed a private placement and issued 18,565,000 common shares at a price per share of $0.322 for gross proceeds of $5,975,000. No finder's fees were paid and the shares issued are subject to a hold period expiring in March 2022. As part of the private placement, one subscriber was granted a pre-emptive anti-dilutive right to maintain its 5% equity ownership position in the event of future financings by the Company.

In November 2021 we completed a public offering of convertible debentures for gross proceeds of $8,050,000. The debentures will mature in November 2026 and accrue interest at the rate of 8.0%, payable annually on November 30th of each year beginning in 2022. The debentures may be converted by the holder into freely tradable common shares at any time after November 30, 2023 at a price of $0.50 per share. After November 30, 2023, we may elect to convert the principal amount of the then outstanding debentures if the daily volume weighted average trading price of the Company's shares on the TSXV is greater than $0.625 for 20 consecutive trading days. A cash commission of $483,000 was paid and 966,000 warrants were issued to the underwriters of the offering. Each warrant is exercisable into one common share of the Company at $0.50 until November 2023.

In November 2021 we acquired 100% of the outstanding shares of Beeorganic BV ("Beeorganic"), a privately held Dutch corporation. Beeorganic is a year-round provider of fresh fair-trade organic bananas with sales in the Netherlands, Belgium and France. Beeorganic offers a differentiated product offering, combining specific product size specifications with a unique ripening process to deliver great-tasting products to its customers. Similar to Organto, Beeorganic operates an asset-light business model, with its products sourced primarily from strategic Caribbean-based grower partners. One of the founders of Beeorganic has joined Organto and is leading the development of Beeorganic's business portfolio, leveraging Organto's existing resources and value-added marketing platform. The business is expected to be EBITDA accretive for Organto and strong growth is projected for the future as its operations are combined with Organto. Purchase consideration included the payment of €600,000 in cash, the issuance of 1,579,670 common shares of Organto and an earn out of up to €150,000 based on pre-established growth targets to be attained over a three-year period. The common shares issued are subject to escrow provisions and become freely tradable in equal amounts over three years.

In July 2021 we announced that we filed a final short-form base shelf prospectus with the securities regulators in each province and territory of Canada. The final shelf prospectus allows us to make offerings of common shares, debt securities, convertible securities, warrants and subscription receipts, or any combination thereof, of up to $50-million for a period of 25 months from the date of filing. The securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of an offering, which will be set forth in a prospectus supplement to be filed in connection with any offering of securities pursuant to the final shelf prospectus. We have filed this final shelf prospectus with a view to maintaining financial flexibility as we advance our organic and value-added fruits and vegetables platform, but we have no immediate intentions to undertake an offering.

In April 2021 we announced the resignation of Robert Giustra from our Board of Directors. Mr. Giustra was a co-founder of Organto and served on our Board since the company's inception. Mr. Giustra stepped down in order to accommodate successful food industry executives joining the Board to guide Organto to the next level in its development. Organto has added four new directors over the past two plus years, each bringing extensive food industry experience and expertise to the company.

In March 2021 we announced the appointment of Joe Riz to the Organto Board of Directors. Mr. Riz brings extensive operating, business building, capital markets and governance expertise to the board, having served in a number of leadership and board positions during his business career. Mr. Riz was a founding director of SunOpta Inc., a leading organic food company with global reach, focused on plant-based foods and beverages. From 2007 to 2009, he served as executive vice-president and chief operating officer of SunOpta, leading daily business operations through a period of rapid growth. Mr. Riz has also held a number of financial and operating leadership positions across a number of industries including consumer products, technology and entertainment, and served as managing director of a boutique merchant banking firm involved in numerous acquisitions, divestitures and financings. Mr. Riz has served as a director of a number of public companies, including roles as both Chair of the Board and Chair of the Audit Committee, in addition to serving on a number of private company boards. Mr. Riz serves as Chair of the Audit Committee.

In February 2021 we announced the appointment of Jeremy Kendall, a natural and organic food industry pioneer with deep operating and business building experience, to the Organto Board of Directors. Mr. Kendall brings extensive business building, operating and governance experience to the board, with deep expertise in natural and organic foods. Amongst a number of business ventures over his distinguished career, Mr. Kendall founded SunOpta Inc., a leading organic foods company with global reach, focused on plant-based foods and beverages. Over the course of his tenure at SunOpta Mr. Kendall served as Chair and Chief Executive Officer, and led the business through a combination of strong internal growth and numerous acquisitions to over $1 billion in both revenues and market capitalization. Mr. Kendall currently serves as Chair of the Board of Jemtec Inc. and also is director of a number of private and charitable organizations.

In January 2021 we acquired 100% of the outstanding shares of Fresh Organic Choice BV, a privately held Dutch corporation. Fresh Organic Choice operates an asset-light business model and is a provider of a full range of year-round fresh-cut organic herbs, marketed under the Fresh Organic Choice brand and in private label formats, with sales throughout Europe. Fresh Organic Choice's fresh-cut packaged herbs portfolio includes mint, oregano, basil, chives, parsley, dill, thyme, rosemary, sage, tarragon and others, sold in a wide range of package formats. Product is sourced primarily from strategic local growers in the Netherlands, Germany, Spain, Italy, Germany and Portugal Purchase consideration included the payment of €150,000 in cash, the issuance of 839,570 common shares of Organto and an earn-out to the former owner of up to €100,000 based on pre-established growth targets to be attained over the three years following the acquisition. The common shares issued are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

In January 2021 we cancelled 5,873,257 common shares of the Company as per the terms of the sale of our processing plant and related assets, including land, buildings and processing equipment, in Guatemala (the "Assets"). In March 2019 we entered into an agreement to sell the Assets to Organizacion de Marcadeo SA ("Omega"). Under the terms of the agreement Omega acquired the assets in an arm's-length transaction on an as-is basis for consideration of $935,450. Consideration was paid through the discharge of certain loans from Omega and related parties to the Company in the amount of $428,782 (US$314,647), agreement to cancel 5,873,257 common shares of the Company, and the assumption of an interest-free note payable from Omega in the amount of $67,174 (US$56,628), due on the second anniversary of the closing date. At March 31, 2019 the fair value of the shares to be cancelled was determined to be $440,494 and the fair value of the interest-free note payable was determined to be $66,174. Shareholder approval was received for this transaction.

Operations

As our strategy has evolved, we have repositioned our organic, non-GMO and specialty fruits and vegetables platform shifting from an asset heavy, single revenue stream business model, to an asset light, multi-stream business model. We believe we have made important progress in this regard, exiting Company-owned growing, processing and packaging operations, all in favor of strategic sourcing arrangements with grower partners in Europe, North and South America, Africa, Asia and others and third-party processing and packaging arrangements with globally positioned strategic partners. We have also expanded our product offering from high-value organic vegetables including organic green beans, sugar snaps and snow peas to other value-added organic and non-GMO vegetables and fruits including asparagus, avocado, blueberries, bananas, ginger, herbs, limes, mango and other products. We continue to pursue new strategic supply sources around the globe as we work to complete year-round supply of our core product offerings and also bring new complimentary products to our existing portfolio. We have also continued to develop our branded products portfolio, with our "I AM Organic" brand launched late in 2021 and our "=Awesome" brand launched in January 2023. Both brands will initially target the European retail, on-line and out-of-home convenience channels.
We have developed a comprehensive acquisition strategy to support our objective of building an ethics driven one-stop shop in fresh organic fruit and vegetable products. During 2021 we acquired three complimentary businesses and, together with an additional business acquired in January 2023, each provides increased product supply, access to new customers and geographies, as well as retail branded product opportunities.

With our repositioning essentially completed late in the first half of 2019, commercial operations were ramped up in the second half of 2019 with third and fourth quarter revenues and gross profits both quarterly records for the Company. We have now realized fourteen consecutive quarters of record revenue growth versus the same quarter in the prior year after adjusting for the impact of changes in foreign currency exchange rates. Currently our products are sourced from five continents and are sold primarily to customers in Europe.

In February and March 2023, we completed convertible debenture financings for total proceeds of $1,033,000 and announced that proceeds from these financings would be used to finance Organto's planned business development initiatives and general working capital purposes.

In November 2021, we completed equity and convertible debenture financings for total proceeds of $13,998,060 and announced that proceeds from this financing would be used to finance Organto's planned business development initiatives plus capitalize on further growth opportunities. The actual use of the proceeds to December 31, 2022 was:

	($)
Issue costs	956,627
Interest on convertible debentures	676,200
Purchase of Beeorganic	855,000
	2,487,827

The remainder of the proceeds are in our December 31, 2022 cash balance or were used in our operations and to fund investments in brand development, personnel and related costs to support the growth of our business. $1,712,300 of these funds were used in January 2023 to repay debentures which matured in December 2022 and early January 2023 plus the accrued interest on these debentures.

In December 2020 and January 2021, we issued convertible debentures for $3,666,850 and announced that proceeds from this financing would be used to finance Organto's planned business development initiatives plus capitalize on further growth opportunities. During 2021 an additional $1,155,320 was received from the exercise of warrants issued as part of the May/June 2020 and December 2020/January 2021 financings. The actual use of the proceeds of our December 2020 and January 2021 convertible debenture financings was:

	($)
Settle short-term loans	295,954
Purchase Fresh Organic Choice	230,475
Pay interest	198,319
	724,748

The remainder of the proceeds were used in our operations and to fund investments in brand development, personnel and related costs to support the growth of our business. The funds from these financings allowed us to increase our sales from $2.7 million in the third quarter of 2020 to $5.4 million and $4.3 million in the second and third quarters of 2021.

In May and June 2020, we completed equity and convertible debenture financings for total proceeds of $3,579,195 and announced that these proceeds would be used to finance business expansion opportunities, expand our supply and range of product offerings and for general working capital purposes. The actual use of these proceeds was:

	($)
Settle bank loan	677,500
Settle short-term loans	567,386
Settle accounts payable	84,600
Pay interest	297,232
	1,626,718

The remainder of the proceeds were used in our operations to increase both the volume and the types of products we offered for sale as well as fund investments in brand development, personnel and related costs to support the growth of our business. The funds from these financings allowed us to more than double our sales from $1.6 million in the first quarter of 2020 to $4.9 million in the fourth quarter of 2020.

FINANCIAL RESULTS

For the purposes of the information presented, the "Company" is defined as the consolidated entity.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS is the responsibility of management and 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Our 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 estimates of useful lives of depreciated and amortized assets, the valuation of inventory which includes estimates with regards to the allocation of overhead and determining the net realizable value, assumptions used in determination of the fair value of share-based payments, the valuation of investment securities, the recoverability and measurement of deferred tax assets, and the allocation of the purchase price associated with the acquisition of a business.

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

Changes in Accounting Policies and Standards

We did not adopt any new accounting standard changes or amendments in the current year that had a material impact on our financial statements.

Selected Annual Information

The following information is for the years ended December 31, 2022, 2021 and 2020:

	2022 ($)	2021 ($)	2020 ($)
Sales	22,124,257	19,518,647	11,448,036
Gross profit (loss)	1,264,667	1,986,630	1,072,942
Net income (loss)	(10,828,211)	(6,340,664)	(7,054,745)
Income (loss) per share			
Basic and diluted – continuing operations	(0.04)	(0.02)	(0.04)
Basic and diluted – discontinued operations	-	-	-
Comprehensive income (loss)	(11,094,466)	(6,397,088)	(7,158,818)
Total assets	11,370,521	20,959,939	8,012,048
Total non-current financial liabilities	7,457,698	5,886,227	3,858,581
Cash dividends declared	-	-	-

Review of Financial Results – Current Year

We reported a net loss of $10,828,211 during the year ended December 31, 2022, as compared to a net loss of $6,340,664 during the prior year. Operations were impacted by a number of macroeconomic challenges in 2022 including the impact of the Russia/Ukraine war, the decline of the Euro versus a number of global currencies, supply chain challenges and rapidly rising inflation. As a result, we took a prudent "risk off" approach for periods of time on certain product categories to manage our potential downside risks and preserve cash. When measured in Euros, sales increased approximately 22% versus the prior year yet only approximately 13% when reported in CDN dollars due to the reduction in the value of the Euro versus the Canadian dollar. Gross profit was impacted by supply chain and inflationary pressures, combined with the decline in the Euro which further impacted product margin spreads. Costs increased as we invested in our business, expanded our workforce and built out our internal infrastructure to accommodate expected growth in our business. In addition to a $959,074 unrealized loss on the revaluation of our investment securities and non-cash loss of $1,281,704 on the revaluation of intangible assets and goodwill, results for 2022 include $1,722,589 of costs not related to day-to-day operations including on-line platform and branded product development costs and costs incurred as we evaluated acquisition opportunities.

Sales for the year ended December 31, 2022 were $22,124,257 as compared to $19,518,647 in the prior year, an increase of approximately 13%. When measured in Euros, sales increased approximately 22% versus the same period in the prior year. While volumes of many product categories continued to grow, sales were impacted by i) the impact of the Russia/Ukraine war which significantly impacted our sales into the Russian market; ii) supply chain challenges which impacted the timing, cost and availability of freight and the shipping containers required to deliver raw materials to Europe, plus impacted processing and local delivery costs; and iii) our decision to take a "risk-off" approach for periods of time on longer lead time supply chains such as avocado and ginger, in an attempt to mitigate significant risks caused by a combination of increased transit times, potential product quality issues and price volatility.

We realized a gross profit of $1,264,667 or approximately 5.7% of sales in 2022 as compared to a gross profit of $1,986,630 or approximately 10.2% of sales in the prior year. In early 2022, we implemented a foreign currency hedging program for certain product categories where both the supply and sales commitments are fixed in foreign currencies. As a result, we realized a gain on derivative assets from our hedging program of $296,304, which while related to product purchases, is reported separately. Including this gain, adjusted gross profit was $1,560,972 or approximately 7.19 % of sales. Increased supply chain costs, plus the rapid increase in inflation impacted gross margin in 2022.

Selling, general and administration expenses were $2,867,069 or 13.0% of sales for 2022 as compared to $2,278,294 or 11.7% of sales in the prior year. Included in 2022 are costs associated with our acquisition program of $286,880 and $460,325 related to the development of our retail branded and on-line product platforms.

Management fees in 2022 were $1,004,409 compared to $962,988 in the prior year and in line with expectations.

Labour costs and benefits during 2022 were $3,413,401, a significant increase versus the prior year but within expectations given the increased volume of commercial activity and our recent acquisitions completed. With commercial activities growing and expected to accelerate, operating personnel have been added to support this growth, develop new products and sales opportunities and support the organization for expected future growth. Included in 2022 labour costs and benefits are labour costs incurred by Beeorganic which are new for us in 2022. Also included are $885,004 of costs related to the development of our branded and on-line product platforms and $90,380 for costs associated with our acquisition program.

As detailed above, during 2022 we incurred costs of $1,722,589 of which $1,345,329 were related to the development of our retail branded product offering and on-line go-to-market capabilities and $377,261 of costs associated with our acquisition program. While the benefits of these activities have yet to translate into significant bottom-line contribution, we believe these are prudent investments for the future of our Company.

We recognized $917,017 in stock-based compensation in 2022 which consists of $198,375 for restricted share units and $718,642 for stock options. Stock-based compensation in 2021 totaled $1,320,909 and consisted of $423,118 for restricted share units and $897,791 for stock options. Restricted share units were issued as compensation for directors who are currently not paid cash fees for their service on our board of directors. Stock based compensation for restricted share units is based on the market value of our shares on the day the restricted share units are granted. Stock based compensation for stock options is an estimate of the value of the stock options we have issued and is calculated using the Black-Scholes option pricing model which requires 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 does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. Stock based compensation for stock options in 2022 was based on fair values of $0.07 - $0.11 per share for the 1,535,000 options granted in 2022, $0.20 - $0.35 per share for options granted in 2021, $0.03 - $0.20 per share for options granted in 2020, $0.04 - $0.05 per share for options granted in 2019, and $0.06 per share for options granted in 2018.

Net interest and accretion expense for 2022 was $1,526,439 as compared to $971,287 for the prior year. Interest in 2022 consists of interest on our convertible debentures and accounts receivable factoring costs. Accretion in 2022 consists of accretion on the convertible debentures and earn-out payments accrued in relation to the Fresh Organic Choice and Beeorganic acquisitions. The additional convertible debentures issued in November 2021, together with higher factoring costs resulting from increased commercial activity, led to the higher expense in 2022. Interest expense in 2022 was offset by $75,006 of interest income received. See "Liquidity and Capital Resources" for further information.

We recognized a loss of $529,003 in 2022 primarily on the revaluation of grower advances. The loss from the revaluation of grower advances was partially offset by the government grant received in late 2022 and the gain we realized on the settlement of a legal claim brought against our subsidiary in Guatemala in late 2021.

At December 31, 2022 we revalued the shares of Xebra that we own and recorded an unrealized loss of $959,074 for 2022. The valuation acknowledges that a portion of the Xebra shares we own are subject to trading restrictions which expire between March 2023 and September 2023. The carrying value of the Xebra shares of $92,541 at December 31, 2022 represents a discount to their market value of $5,897 to reflect these trading restrictions. At December 31, 2021 we revalued our shares of Xebra to a carrying value of $1,015,615, a discount to their market value of $195,671 reflecting trading restrictions and recognized a net valuation gain of $587,209. On March 1, 2023 Xebra consolidated their shares on a one for five basis reducing the number of shares owned by the Company from 3,281,278 to 656,256 shares.

The difference between the cost to acquire US dollars through forward currency exchange contracts and the spot market at the time of purchase has been recorded as a realized gain on derivative assets of $296,304 in the year ended December 31, 2022. These forward currency exchange contracts were used exclusively for product purchases and the gains realized, while reported separately as realized gains on derivative assets, are intended to offset our reported cost of sales.

The carrying value of the derivative asset represents the difference between the cost to acquire US dollars on the spot market and through the forward currency exchange contracts at December 31, 2022. These contracts allowed the Company to purchase US dollars for less than by acquiring them on the spot market, resulting in the recognition of a derivative asset and an unrealized gain on derivative assets of $25,314 for the year ended December 31, 2022.

In 2022 we realized a net loss on the settlement of debt of $68,206. The loss includes a $96,467 loss on the settlement of debentures that matured in December 2022 and were settled with new debentures maturing in December 2024. The loss on the debentures was offset partially by gains on the settlement of certain accounts payable. The cash portion of the loss on the debentures was $55,284 for finder's fees paid in cash.

The Company's operations faced many challenges in 2022 as sales were impacted by the Russia/Ukraine war and costs were impacted by supply chain challenges and rapidly rising inflation. While the company believes that the industry will improve and return to pre-2022 conditions, the timing of such a turnaround cannot be determined with certainty. As a result, the Company took a conservative approach when it reviewed the carrying values of its intangible assets and earnout liabilities at December 31, 2022. By assuming that current market conditions will slowly improve, rather than recover quickly, the Company reduced the carrying value of the goodwill and intangible assets stemming from the acquisitions of its two subsidiaries, Fresh Organic Choice and Beeorganics and the acquisition of the assets of ZMS from $1,844,213 at December 31, 2021 to $550,338 at December 31, 2022 and recognized an impairment charge of $1,281,704 during the year. The Company also reduced the carrying value of the Fresh Organic Choice and Beeorganics earnout liabilities to nil and recorded a gain in 2022 of $198,274 on the revaluation of these earnout liabilities. A reduction in the provision for deferred income taxes which recognizes the non-deductibility of certain intangible assets and goodwill resulted in an additional gain of $66,700. Net of these gains, the impairment charge was $1,016,730.

Foreign exchange gains and losses may arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. We reported a foreign exchange loss of $113,148 for 2022 as compared to a loss of $101,741 in 2021. A portion of our cash balance is held in US dollars, and some of our accounts payable are denominated in currencies other than the currency used to pay these accounts and fluctuations in the exchange rates of these currencies will result in gains or losses.

Selected Quarterly Information

	Q4 2022 ($)	Q3 2022 ($)	Q2 2022 ($)	Q1 2022 ($)	Q4 2021 ($)	Q3 2021 ($)	Q2 2021 ($)	Q1 2021 ($)
Sales	5,466,870	4,547,574	5,109,949	6,999,864	5,075,141	4,298,282	5,372,162	4,773,062
Gross profit	219,855	166,126	208,084	670,602	350,810	529,018	648,987	457,815
Net income (loss)	(3,762,854)	(2,057,945)	(2,678,625)	(2,328,787)	(1,988,977)	(1,948,615)	(1,155,758)	(1,247,764)
Income (loss) per share:								
Basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)
Comprehensive income (loss)	(3,723,551)	(2,074,919)	(2,834,505)	(2,461,491)	(2,001,457)	(1,968,750)	(1,137,976)	(1,288,905)

	Dec 31, 2022 ($)	Sep 30, 2022 ($)	Jun 30, 2022 ($)	Mar 31, 2022 ($)	Dec 31, 2021 ($)	Sep 30, 2021 ($)	Jun 30, 2021 ($)	Mar 31, 2021 ($)
Cash	5,769,979	6,881,565	8,422,166	9,542,805	11,869,999	1,610,978	2,760,506	3,629,677
Total assets	(11,370,521)	15,143,370	16,405,386	18,027,219	20,959,939	7,548,220	7,860,663	8,817,806
Total non-current financial liabilities	7,457,698	6,755,261	6,085,640	5,830,707	5,886,227	2,956,408	4,070,323	4,152,737

Review of Financial Results – Fourth Quarter

	Three months ended December 31, 2022 ($)	2021 ($)
Sales	5,466,870	5,075,141
Cost of sales	(5,247,015)	(4,724,331)
Gross profit	219,855	350,810
Selling, general and administrative expenses	(916,142)	(768,906)
Management fees	(238,986)	(259,403)
Labour costs and benefits	(917,048)	(622,937)
Stock-based compensation	(231,533)	(560,483)
	(2,083,854)	(1,860,919)
Interest and accretion, net	180,225	(350,454)
Other loss	(508,035)	(206,699)
Unrealized gain (loss) on revaluation of investment securities	(90,683)	493,798
Realized gain on derivative assets	107,227	-
Unrealized loss on revaluation of derivative assets	(211,091)	-
Loss on settlement of debt	(68,206)	142,481
Impairment of goodwill and intangible assets	(1,281,704)	-
Recovery of earnout liability	198,274	-
Gain (loss) on sale of investment securities	-	(141,164)
Foreign exchange gain (loss)	(71,707)	(66,020)
Net loss before tax	(3,829,554)	(1,988,977)
Recovery of deferred income taxes	66,700	(66,020)
Net loss	(3,762,854)	(1,988,977)

We reported a net loss of $3,762,854 during the fourth quarter of 2022, compared to a net loss of $1,988,977 during the same period in the prior year. Operations were impacted by a number of macroeconomic challenges in the fourth quarter including the impact of the Russia/Ukraine war, the decline of the Euro versus a number of global currencies, supply chain challenges and rapidly rising inflation. Sales increased 8%, or 11% when measured in Euros, versus the fourth quarter of the prior year. Gross profit was impacted by supply chain and inflationary pressures, combined with the decline in the Euro which further impacted product margin spreads. Costs increased as we invested in our business, expanded our workforce and built out our internal infrastructure to accommodate expected growth in our business in 2023 and beyond. In addition to $301,774 in unrealized losses on the revaluation of our derivative assets and investment securities, and the impairment loss of $1,016,730 from the annual revaluation of our intangible assets and goodwill, fourth quarter 2022 results include $470,462 of costs not related to day-to-day operations including on-line platform and retail branded product development costs and costs incurred as we evaluated acquisition opportunities.

Sales for the three months ended December 31, 2022 were $5,466,870 as compared to $5,075,141 during the same period in the prior year, an increase of approximately 8% versus the same quarter in the prior year. When measured in Euros, sales increased approximately 11% versus the same period in the prior year. This quarter is our fourteenth consecutive quarter of currency adjusted revenue growth versus the same quarter of the prior year. While volumes of many product categories continued to grow, sales were impacted in the quarter by i) the impact of the Russia/Ukraine war which significantly impacted our sales into the Russian market; and ii) supply chain challenges which impacted the timing, cost and availability of freight and the shipping containers required to deliver raw materials to Europe, plus impacted processing and local delivery costs.

We realized a quarterly gross profit of $219,855 or approximately 3.6% of sales in the fourth quarter of 2022 as compared to a gross profit of $350,810 and 6.9% during the same quarter of the prior year. We hedge currencies for certain product categories where both the supply and sales commitments are fixed in foreign currencies. In the fourth quarter, we realized a gain on derivative assets from our hedging program of $107,227, which while related to product purchases, is reported separately. Including this gain, adjusted gross profit was $327,082 or approximately 6.04% of sales. Increased supply chain costs, plus the rapid increase in inflation, negatively impacted gross profit in the quarter.

Selling, general and administration expenses were $916,142 or 16.8% of sales this quarter as compared to $768,906 or 15.2% of sales in the same quarter of the prior year. Included in 2022 are costs associated with our acquisition program of $127,123 and $60,669 related to the development of our retail branded and on-line product platforms.

Management fees in the current quarter were $238,986 compared to the $259,403 recorded in the same quarter of the prior year and in line with expectations.

Labour costs and benefits during the fourth quarter were $917,048, a significant increase versus the same quarter of the prior year, but within expectations. With commercial activities growing and expected to accelerate, operating personnel have been added to support this growth, develop new products and sales opportunities and support the organization for expected future growth. Included in 2022 fourth quarter labour costs and benefits are $43,585 for costs associated with our acquisition program and $239,086 related to the development of our retail branded and on-line product platforms.

As detailed above, during the fourth quarter of 2022 we incurred costs of $470,462 of which $299,755 were related to the development of our retail branded product offering and on-line go-to-market capabilities and $170,707 of costs associated with our acquisition program. While the benefits of these activities have yet to translate into significant bottom-line contribution, we believe these are prudent investments for the future of our Company.

We recognized $231,533 in stock-based compensation in the fourth quarter of 2022 which consists of $63,646 for restricted share units and $167,888 for stock options. Stock-based compensation for the fourth quarter of 2021 totaled $560,483 and consisted of $137,704 for restricted share units and $422,779 for stock options. Restricted share units are issued as compensation for directors who are currently not paid cash fees for their service on our board of directors. Stock based compensation for restricted share units is based on the market value of our shares on the day the restricted share units are granted. Stock based compensation for stock options is an estimate of the value of the stock options we have issued and is calculated using the Black-Scholes option pricing model which requires 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 does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. Stock based compensation for stock options in the fourth quarter of 2022 was based on fair values of $0.07 - $0.11 per share for the 1,535,000 options granted in 2022, $0.20 - $0.35 per share for 6,455,000 options granted in 2021, $0.04 - $0.08 per share for 5,185,000 options granted in 2020, $0.04 - $0.05 per share for 3,678,750 options granted in 2019, and $0.06 per share for 2,655,000 options granted in 2018.

Net interest and accretion expense for the fourth quarter of 2022 was negative $180,225 as compared to $350,454 for the prior year. An adjustment to the accretion of the November 2026 series of convertible debentures resulted in a $690,122 favorable adjustment to previously expensed accretion in 2022. Interest consists of interest on our convertible debentures and accounts receivable factoring costs. Accretion in 2022 consists of accretion on the convertible debentures, including the adjustment made in this quarter, and earn-out payments accrued in relation to the Fresh Organic Choice and Beeorganic acquisitions. The additional convertible debentures issued in November 2021, together with higher factoring costs resulting from increased commercial activity, led to the higher expense before the adjustment in 2022. Interest expense in the fourth quarter of 2022 was offset by $33,728 of interest income. See “Liquidity and Capital Resources” for further information.

We recognized a loss of $589,501 in the fourth quarter of 2022 on the revaluation of grower advances. This was partially offset by the government grant for a net other loss of $508,035.

At December 31, 2022 we revalued the shares of Xebra that we own and recorded an unrealized loss of $90,683 for the fourth quarter of 2022. The valuation acknowledges that a portion of the Xebra shares we own are subject to trading restrictions which expire between March 2023 and September 2023. The carrying value of the Xebra shares of $92,541 at December 31, 2022 represents a discount to their market value of $98,438 to reflect these trading restrictions. At December 31, 2021 we revalued our shares of Xebra to a carrying value of $1,015,615, a discount to their market value of $1,246,886 reflecting trading restrictions and recognized a net valuation gain of $493,798 in the fourth quarter. On March 1, 2023 Xebra consolidated their shares on a one for five basis reducing the number of shares owned by the Company from 3,281,278 to 656,256 shares.

In order to hedge our exposure to fluctuations in the US dollar vs Euro exchange rate, one of our European subsidiaries established a hedging facility in the first quarter of 2022 with a European financial services company for forward currency exchange contracts. The difference between the cost to acquire 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 of $107,227 in the fourth quarter. These forward currency exchange contracts were used exclusively for product purchases and the gains realized, while reported separately as realized gains on derivative assets, are designed to offset our reported cost of sales.

The carrying value of the derivative asset represents the difference between the cost to acquire US dollars on the spot market and through the forward currency exchange contracts at December 31, 2022. These contracts will allow the Company to purchase US dollars for less than by acquiring them on the spot market, resulting in the recognition of a derivative asset and an unrealized loss on derivative assets of $211,091 for the current quarter.

In the fourth quarter of 2022 we realized a net loss on the settlement of debt of $68,206. The loss includes a $96,467 loss on the settlement of debentures that matured in December 2022 and were settled with new debentures maturing in December 2024. The loss on the debentures was offset partially by gains on the settlement of certain accounts payable. The cash portion of the loss on the debentures was $55,284 for finder’s fees paid in cash.

The Company's operations faced many challenges in 2022 as sales were impacted by the Russia/Ukraine war and costs were impacted by supply chain challenges and rapidly rising inflation. While the company believes that the industry will improve and return to pre-2022 conditions, the timing of such a turnaround cannot be determined with certainty. As a result, the Company took a conservative approach when it reviewed the carrying values of its intangible assets and earnout liabilities at December 31, 2022. By assuming that current market conditions will slowly improve, rather than recover quickly, the Company reduced the carrying value of the goodwill stemming from the acquisitions of its two subsidiaries, Fresh Organic Choice and Beeorganics and the acquisition of the assets of ZMS from $1,844,213 at December 31, 2021 to $550,338 at December 31, 2022 and recognized an impairment charge of $1,281,704 during the quarter. The Company also reduced the carrying value of the Fresh Organic Choice and Beeorganics earnout liabilities to nil and recorded a gain in 2022 of $198,274 on the revaluation of these earnout liabilities. A reduction in the provision for deferred income taxes which recognizes the non-deductibility of certain intangible assets and goodwill resulted in an additional gain of $66,700. Net of these gains, the impairment charge was $1,016,730.

Foreign exchange gains and losses may arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. We reported a foreign exchange loss of $71,707 this quarter as compared to a loss of $66,020 during the same quarter last year. A portion of our cash balance is held in US dollars, and some of our accounts payable are denominated in currencies other than the currency used to pay these accounts and fluctuations in the exchange rates of these currencies will result in gains or losses.

Liquidity and Capital Resources

At December 31, 2022, we had cash of $5,769,979 and working capital of $2,867,046 as compared to cash of $11,869,999 and working capital of $9,682,809 as at December 31, 2021.

During the first quarter of 2022 we received $105,000 from the exercise of stock options and paid interest on our factored accounts receivable of $297,230. During the second quarter of 2022 we received $12,186 from the exercise of warrants and $14,440 in interest income and paid interest of $28,729 on our factored accounts receivable. During the third quarter of 2022 we received $26,838 in interest income and paid interest of $28,931 on our factored accounts receivable and we invested $89,033 in the development of a new reporting system for our European subsidiaries. During the fourth quarter we prepaid $41,000 of convertible debentures which were to mature in December 2022. The debenture holder agreed to waive the accrued interest on the debenture in return for the early prepayment. Also in the fourth quarter, we received $33,728 in interest income and paid interest of $33,337 on our factored accounts receivable and we invested $46,769 in the development of a new reporting system for our European subsidiaries.

As part of the consideration paid to acquire 100% of NFG, the Company issued 2,250,000 common shares in April 2023. These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next five years.

In February 2023 we issued 1,000,000 common shares on the exercise of stock options for proceeds of $70,000.

As full consideration paid to acquire the operating assets of ZMS, the Company issued 1,645,643 common shares in February 2022. These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

As part of the consideration paid to acquire 100% of Beeorganic, the Company issued 1,579,670 common shares in March 2022. These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

We are reliant upon equity and/or debt financings to fund operations until such time as revenues and gross profit are sufficient to sustain operations.

Financial instruments

The fair value of our financial instruments, financial statement classification and associated risks are presented in the following table.

Financial instrument	**Basis of measurement**	**Associated risks**	**Fair value at December 31, 2022 ($)**
Cash	Fair value through profit or loss	Credit, currency and concentration	5,769,979
Accounts receivable	Amortized cost	Credit, currency and concentration	2,290,358
Investment securities	Fair value through profit or loss	Other price	92,541
Derivative assets	Fair value through profit or loss	Currency	38,712
Accounts payable	Amortized cost	Currency	(3,863,195)
Factored accounts receivable	Amortized cost	Credit, currency and concentration	(1,313,972)
Government loans and grants	Amortized cost	n/a	(301,863)
Convertible debentures	Amortized cost	n/a	(8,679,342)
			(5,966,782)

The fair value of our financial instruments including cash, accounts receivables, accounts payable and factored accounts receivable approximates their carrying value due to the immediate or short-term maturity of these financial instruments. The fair value of our derivative assets represents the difference between the cost to acquire US dollars on the spot market and through the forward currency exchange contracts. The fair value of our investment securities which are publicly traded is based on the trading value of the securities, less an applicable discount to reflect trading restrictions on the shares we hold. The fair value of our government loans and grants is based on the discounted present value of future scheduled due dates. The fair value of our convertible debentures (net of issue costs) is based on the effective rate method with the residual balance allocated to the conversion component in equity.

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).

Our financial instruments are exposed to certain financial risks. The risk exposures and the impact on our 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 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, in 2021 a Mexican bank had its banking license revoked and was placed into liquidation by the Mexican government. A payment to a Mexican supplier of US$40,000 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.

The credit risk exposure on receivables is limited to their carrying amounts at the date of the statement of financial position. Trade receivables are mainly from customers in Europe. The risk is assessed as moderate. Other receivables are primarily comprised of VAT credits with a low risk assessment.

(b) Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. We manage 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. At December 31, 2022, we had working capital of $2,2,867,046 (December 31, 2021–$9,682,809). Liquidity risk is assessed as high.

To date, the Company has been able to address any shortfalls in meeting our short-term financial demands by turning to equity and debt markets to raise the funding necessary to continue operations. We will have to continue to raise funds on these markets until the Company is able to realize consistent cash flows from operations.

(c) Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the price of one currency in relation to another.

Our derivative assets are made up of forward currency contracts which allow us to purchase US dollars at specified exchange rates rather than having to purchase them on the spot market. If the rates specified in these contracts result in our being able to purchase US dollars for less than if they were to be purchased on the spot market, a derivative asset is recognized as the difference. If the rates require us to spend more than if the US dollars were to be purchased on the spot market, a derivative liability is recognized as the difference.

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

Our investment securities are exposed to other price risk as these shares trade on a public exchange.

Sensitivity Analysis

A 1% change in interest rates does not have a material effect on our profit or loss and equity.

As our functional currency is the Canadian Dollar, where foreign currency transactions such as the US Dollar, European Euro, Argentine Peso, Mexican Peso and Guatemalan Quetzal are converted into Canadian Dollars, changes in exchange rates between these currencies may have an effect on our profit or loss and equity. A +/- 10% change in the exchange rate between those currencies and the Canadian Dollar can affect net income by approximately $522,000.

Capital Management

When managing capital our objective is to ensure an optimal capital structure is maintained to reduce overall cost of capital and allowing flexibility to respond to changes in working capital requirements.

In the management of capital, we include the components of shareholders' equity as well as cash and receivables.

We manage the capital structure and make 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, we 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 our capital requirements, we monitor working capital and cash flows regularly. There have been no changes to our capital management policies and procedures since the end of the most recent fiscal year.

Related Party Transactions

We incur fees and expenses with related parties in the ordinary course of business, on terms that are similar to those of transactions with unrelated parties.

Related party	**Nature of transactions**
Brandal B.V. (1)	Management fees
Bromley Consulting & Advisory Inc. (1)	Management fees
Share! Marketing & Management Services BV (1)	Administrative services
Thibaudier Financial Consulting BV (1)	Management fees
TLG Growth Capital Corp. (1)	Management fees
ZMS B.V (1)	Product purchases
Everrest B.V (2)	Marketing services

(1) A company owned or controlled by one of the Company's officers
(2) A company owned or controlled by one of the Company's directors

The following related party transactions were made in the normal course of operations:

(a) Directors and key management personnel compensation:

	Three months ended December 31		**Year ended December 31**	
	2022 ($)	**2021 ($)**	**2022 ($)**	**2021 ($)**
Salaries, consulting and management fees	242,872	233,241	1,010,399	647,299
Stock based compensation	188,158	433,843	707,797	513,443
	431,030	**667,084**	**1,718,196**	**1,160,742**

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

(b) Transactions with related parties:

	Three months ended December 31		Year ended December 31	
	2022 ($)	**2021 ($)**	**2022 ($)**	**2021 ($)**
Administrative services	145,457	107,693	561,059	311,994
Produce sales	-	269,954	-	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 (advances)	5,111	6,941
Advances to suppliers	(516,554)	-
Product sales	(21,112)	(283,616)

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**	**-**	**22,553,386**

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. 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.

OFF-BALANCE SHEET ARRANGEMENTS

During the year ended December 31, 2022 and up to the date of this report, the Company had no off-balance sheet transactions.

PROPOSED TRANSACTIONS

While the Company is continually reviewing potential opportunities that could enhance shareholder value, there are no proposed transactions that would affect the financial condition, results of operations and cash flows of the Company to report at this time.

RISKS AND UNCERTAINTIES

Risk factors

Our business, operations and financial condition are subject to various risks and uncertainties. Prior to making an investment decision, investors should consider the risks and uncertainties set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business engaged in the global procurement, marketing and distribution of fresh organic fruit and vegetable products. We believe the risks set out below to be the most significant to investors, but do not represent all of the risks associated with an investment in securities of our Company. Consequently, you should not consider the following to be a complete discussion of all possible risks or uncertainties applicable to our business. If any of the identified risks materialize or other additional risks and uncertainties of which we are currently unaware materialize, our assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects are likely to be materially and adversely effected. Any such adverse effect could cause the trading price of our common shares to decline, and our shareholders may lose all or part of their investment. These risk factors should be read in conjunction with other information in this report and in other documents that we file from time to time.

Risks Related to Our Business

We have a limited operating history and may incur further losses until our operating platform achieves scale.

We commenced business in November 2015 and since that time we have built out our operating platform and generated approximately $62.7 million in revenues and losses of approximately $45.4 million. We are subject to many of the risks common to early-stage enterprises, including costs associated with building out an operating platform prior to volumes and margins coming to scale, undercapitalization, cash shortages, and limitations with respect to personnel, financial, and other resources. There is no assurance that we will be successful in establishing a long-term customer base, that consumers will continue to purchase our products, that our branded product launches will be successful, or that we will be able to generate sales and margins sufficient to cover our operating costs. Our ability to achieve a return on shareholders' investment and the likelihood of its success must be considered in light of the company's early stage of operations. Our independent auditors have added an explanatory paragraph to their audit opinion issued in connection with our financial statements for the years ended December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015 with respect to our ability to continue as a going concern. As discussed in Note 1 to our financial statements for our most recently completed year, we have generated operating losses since inception and there is likelihood that additional financing will be required to realize our long-term plans, which together raises doubt about our ability to continue as a going concern.

We may not be able to secure financing required to meet future capital needs to continue operations.

We may require additional capital to fulfill our contractual obligations and continue development of our product offerings and global operating platform, through either equity or debt financing. Due to business specific or general economic conditions, we may be unable to secure debt or equity financing on terms acceptable to the Company, or at all, at the time when we need such funding. Our inability to raise additional funds on a timely basis would make it difficult to achieve our business objectives and would have a negative impact on our business, financial condition and results of operations.

We have a history of negative cash flows from operating activities and may need to raise additional financing to fund operations.

We have a history of negative cash flows from operating activities. To the extent that we have negative cash flow in future periods, we may need to allocate a portion of proceeds from future financings to fund such negative cash flow. There can be no assurance that additional capital or other types of financing will be available when needed, or that these financings will be on terms that are acceptable to the Company, or at all.

Additional financing may dilute common shareholders or place restrictions on our operations.

If we raise funds by issuing additional equity or convertible debt securities, the ownership percentages of existing stockholders would be reduced, and the securities that we issue may have rights, preferences or privileges senior to those of the holders of our common stock or may be issued at a discount to the market price of our common stock which would result in dilution to our existing stockholders. If we raise additional funds by issuing debt, the Company may be subject to debt covenants, which could place limitations on our operations including our ability to declare and pay dividends.

We operate in a competitive global food industry and the actions of competitors could impact revenues and profitability.

The agricultural produce industry is intensely competitive in all of its phases. We compete with other companies, some of whom have greater financial resources, larger facilities, more capacity, higher staffing levels, greater economies of scale, pricing advantages, longer operating histories and more established market presences. We may have little or no control over some or all of these competitive factors. If we are unable to effectively respond to these competitive factors, or if the competition in our product markets results in price reductions or decreased demand for our products, our business, results of operations and financial condition may be materially impacted.

We are focusing our business on the procurement, packing, distribution and marketing of value-added and branded fresh organic fruit and vegetable products grown in strategic geographies by third parties that provide us with year-round supply capabilities. As a result of changing consumer preferences and awareness, we believe there is increased demand for organic produce over conventional produce which we believe will be positive for us. Even so, we expect to face competition from new entrants to the organic produce market wanting to participate in this growing category. Our ability to remain competitive will depend to a great extent on our ability to grow and diversify our supplier base with quality partners, grow our customer base, build our brand, maintain competitive pricing levels, attract strategic third-party growers to cost-effectively supply our operations, manage transportation and delivery logistics, and effectively market our products to our customers. There can be no assurance that we will have sufficient resources to compete successfully with our current or future competitors in these areas, which could have a material adverse effect on our business plan and results of operations.

We must attract and retain key personnel and professionals to achieve our business objectives.

Our success will be largely dependent upon the performance of our management, key employees and professionals. We must compete with other companies both within and outside the food industry to recruit and retain competent employees and contract resources. If we cannot attract and maintain qualified resources to meet our business needs, this could have a material adverse effect on our business. In addition, the Company does not have key man insurance policies and therefore there is a risk that the death or departure of any existing member of management or any key employee or professional could also have a material adverse effect on the Company.

Our customers generally are not obligated to continue purchasing products from us.

Many of our customers buy from us under purchase orders, and we generally do not have long-term agreements with or commitments from these customers for the purchase of our products. We cannot provide assurance that our customers will maintain or increase their sales volumes or orders for the branded, private label or bulk distributed products supplied by us or that we will be able to maintain or add to our existing customer base. Decreases in our customers' sales volumes or orders for products supplied by us may have a material adverse effect on our business, financial condition or results of operations.

Consumer food preferences are difficult to predict and may change.

Our success depends, in part, on our ability and our customers' ability to offer products that anticipate the tastes and dietary habits of consumers and appeal to their preferences on a timely and affordable basis. A significant shift in consumer demand away from our products or a failure to maintain our current market position, could reduce our sales and harm our business. Consumer trends change based on a number of factors, including nutritional values, a change in consumer preferences or general economic conditions. Additionally, there is a growing focus among some consumers to buy local food products in an attempt to reduce the carbon footprint associated with transporting food products from longer distances, which could result in a decrease in the demand for food products that we import from remote growing regions and processing locations. Further, failures by us or our competitors to deliver quality products could erode consumer trust in the organic certification of foods. These changes could lead to, among other things, reduced demand and price decreases, which could have a material adverse effect on our business, financial condition or results of operations.

If we do not manage our supply chain effectively, our operating results may be adversely affected.

Our supply chain is complex and subject to a number of risks. We do not directly operate our own growing and processing operations but instead rely on a number of third-party suppliers for the growing, processing, packaging and delivery of certain of our products. Our inability to effectively manage our supply chain could cause our operating costs to rise and our margins to fall. The COVID-19 pandemic has increased the challenges of managing our supply chain, and the pandemic could continue to cause unpredictable supply-chain interruptions or other adverse effects on our supply chain. In addition, potential adverse weather conditions and natural disasters add another layer of risk to our supply chain. We must continuously monitor our inventory and product mix against forecasted demand or risk having inadequate supplies to meet customer demand as well as having too much inventory that could reach its expiration date. If we are unable to manage our supply chain efficiently and ensure that our products are available to meet customer demand, our operating costs could increase and our margins could fall.

Adverse weather conditions and/or natural disasters could impact costs and availability of our products.

Raw materials for our products are vulnerable to adverse weather conditions and natural disasters, including windstorms, hurricanes, earthquakes, floods, droughts, fires, and temperature and precipitation extremes, some of which are common but difficult to predict, as well as crop disease and infestation. Severe weather conditions may occur with higher frequency or may be less predictable in the future due to the effects of climate change. Unfavorable growing conditions could reduce both crop size and quality. In extreme cases, entire harvests may be lost in some geographic areas. Adverse weather conditions or natural disasters may adversely affect our supply of one or more of our products or prevent or impair our ability to ship products as planned. These factors can increase product acquisition costs, decrease our sales volumes and revenues, and lead to additional charges to earnings, which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to transportation risks.

An extended interruption in our ability to ship our products or disruption in the distribution of our products could have a material adverse effect on our business, financial condition and results of operations. While we believe we are adequately insured and would attempt to transport our products by alternative means (from both supply sources and to our customers) if we were to experience a disruption, we cannot be sure that we would be able to do so or be successful in doing so in a timely and cost-effective manner.

Volatility in the prices of raw materials, packaging and freight, fuel and energy could increase our cost of sales and reduce gross margin.

Raw materials represent a significant portion of our cost of sales. Our cost to purchase raw materials can fluctuate depending on many factors including weather patterns, economic and political conditions, inflation and pricing volatility. In addition, we must compete at times for certain raw materials and inputs with competitors having greater resources than we have. If our input costs increase due to any of the above factors, we may not be able to pass along the increased costs to our customers, which could have a material impact on our business, financial condition and results of operations.

We are subject to the risk of product contamination and product liability claims which could adversely affect our results and financial condition.

The sales of our products involve the risk of injury to consumers. Such injuries may result from tampering by unauthorized personnel, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, or residues introduced during the growing, packing, storage, handling or transportation phases. We cannot be sure that consumption of our products will not cause a health-related illness in he future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our brand image. In addition, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against third parties, including our customers and suppliers. However, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed that amount of our insurance coverage, resulting in significant cash outlays that would materially and adversely affect our results and financial condition.

Loss of a key grower could materially reduce revenues and earnings.

Our relationships with our growers are critical to the success of our business and results of operations. The loss, decrease or cancellation of business with any of our large grower partners could reduce supply of planned supply and/or lead to increased costs of supply from alternative sources, and as a result could materially and adversely affect our business, financial condition and results of operations.

Our international operations expose us to additional risks inherent with the countries where we are doing business.

We operate in various foreign jurisdictions around the world. These international operations expose us to risks inherent in doing business abroad including exposure to local economic conditions, a change in laws and regulations, foreign exchange rate fluctuations and currency controls, investment restrictions or requirements, the imposition of burdensome tariffs and quotas, export and import restrictions, disruptions in our suppliers' and our customers' ability to access capital and credit markets, compliance with anti-corruption and anti-bribery laws, compliance with export controls and economic sanctions laws, public health epidemics which have the potential to impact employees and the global economy, and unforeseen events such as natural disasters, terrorism, or political social or economic unrest or instability, including, without limitation, disruptions due to armed conflicts, such as the conflict between Ukraine and Russia and civil unrest. As we continue to expand our business globally, we may have difficulty anticipating and effectively managing these and other risks, thus materially impacting our business, financial condition and results of operations.

Information technology failures could disrupt our operations and negatively impact our business.

In the normal course of business, we rely on information technology systems to process, transmit, and store electronic information that is critical for our business and the operations of our supply chain partners including information that enables traceability of the organic products we sell. Information technology systems are also integral to the reporting of our results of operations. Furthermore, a significant portion of the communications, and storage of personal data of, our personnel, customers, consumers and suppliers depend on information technology. Our information technology systems may be vulnerable to a variety of interruptions beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers, and other security issues. These events could compromise our confidential information, impede or interrupt our business operations, and may result in other negative consequences, including remediation costs, loss of revenue, litigation and reputational damage.

Our business is subject to numerous environmental and food safety regulations and policies.

Our operations are subject to environmental and food safety regulations and policies in the areas where we operate. Changes in any government laws or regulations applicable to our operations could increase our compliance costs, negatively affect our ability to sell certain products or otherwise adversely affect our results of operations. While we believe we are in compliance with all laws and regulations applicable to our operations, we cannot be assured that we have been, or will at all times be, in compliance with all environmental and food safety requirements, or that we will not incur material costs or liabilities in connection with these requirements. Our failure to comply with any laws, regulations or policies applicable to our business could lead to penalties, loss of our ability to sell certain of our products, possible product recalls and others, any of which could have a material impact on our business, financial condition and results of operations.

The COVID-19 pandemic and the Russia/Ukraine war have significantly impacted worldwide economic conditions and could have a material effect on our business and resulting financial condition.

Our business and financial results may be negatively impacted by both the 2019 coronavirus (COVID-19) pandemic and the Russia/Ukraine war, including causing significant volatility in customer demand for our products, changes in consumer behavior and preference, disruptions in our global supply chain operations, disruptions to our business expansion plans, limitations on our employee and service provider's ability to work and travel, significant changes in the economic conditions in markets in which we operate and related currency and commodity volatility, and pressure on our liquidity. Despite our efforts to manage these impacts, they also depend on factors beyond our knowledge or control, including the duration and severity of the COVID-19 pandemic, actions taken by various government institutions and agencies to contain its spread and mitigate its public health effects, and the availability of vaccines and their effectiveness against new variants of the virus and the long-term impact of economic sanctions imposed on Russia by various countries around the world. As a result, we cannot reasonably estimate the full impact of the COVID-19 pandemic on our business and financial results, but the impact could be material and last for an extended period of time.

We may not be able to effectively manage our growth and integrate acquired companies.

We expect our business to grow rapidly via internal growth, and from time to time we may pursue acquisition opportunities that are consistent with our overall growth strategy. Our ability to effectively manage our growth and integrate acquisitions, including our ability to realize potentially available marketing opportunities and cost savings in a timely and efficient manner, will have a direct impact on our future results. We may encounter problems in connection with our growth and integration of any new businesses, such as challenges relating to the following: integration of an acquired company's products into our product mix; the amount of cost savings that may be realized as a result of integrating an acquired product or business; integrating acquired operations that have management teams and company cultures that differ from our own; compatibility of financial control and information systems; and others. If we experience any of these problems in the integration of acquisitions, they could have a material and adverse effect on our business, financial condition or results of operations.

We may not be able to fully recover all amounts advanced to third-party growers.

As a normal part of our business, periodic advances are made to third-party growers for various farming needs and are secured with crop harvests, property or other collateral owned by the growers. Grower advances are reviewed on a regular basis for potentially uncollectible balances. Risks and uncertainties underlying the growers' ability to repay these advances include weather-related phenomena, government regulations, market responses to industry volume pressures, grower competition, economic crises, security risks in developing countries, political instability, outbreak of plant disease, inconsistent or poor farming practices of growers, and foreign currency fluctuations.

Impairment charges related to long-lived assets or goodwill could adversely affect our business.

As a result of past business acquisitions, a part of our total assets is comprised of intangible assets. We are required to perform impairment tests of long-lived assets and goodwill annually, or at a time when events occur that could affect the value of these assets.

We may engage in additional acquisitions, which could result in our recognition of additional long-lived assets and goodwill. If the financial performance of the acquired businesses does not meet our expectations, we could be required to record impairments to long-lived assets or goodwill, which could materially and adversely impact our business, financial condition and results of operations.

Our investment in a cannabis business indirectly exposes us to risks associated with laws and regulations governing cannabis, which are still developing in many parts of the world, and could have an impact on our plans to realize a return on our investment.

Our investment exposure in the cannabis industry is governed by laws and regulations specific to various countries around the world. Many of these laws and regulations are still being developed, and dependent on the outcome of these, our ability to realize a profitable return could be impacted.

Risks Related to Ownership of Our Securities

Our stock price may be volatile, which may impact returns to our shareholders.

From time-to-time stock markets experience extreme price and volume fluctuations, which, when combined with general economic and political conditions, could adversely affect the market price for our securities. In addition, the trading price of our common stock may be volatile and could fluctuate widely in response to many factors, including the following, some of which are beyond our control:

- variations in our operating results;
- changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;
- changes in operating and stock price performance of other companies in our industry;
- additions or departures of key personnel; and
- future sales of our common stock.

Our common shares are thinly traded and our shareholders may be unable to sell at or near ask prices, or at all.

We cannot predict the extent to which an active public market for trading our common stock will be sustained. Even with recent increases in trading volumes, our shares have historically been thinly-traded meaning that the number of persons interested in purchasing our common shares at or near bid prices at a certain given time may have been relatively small.

This situation is attributable to a number of factors, including the fact that we are a smaller company in its development phase which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community who generate or influence sales volume. Even if our Company came to the attention of such persons, those persons may be reluctant to follow, purchase, or recommend the purchase of shares of a relatively unproven company such as ours until such time as we become more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous trades without an adverse effect on share price. We cannot be assured that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained.

We do not anticipate paying any cash dividends to our common shareholders and as a result, shareholders may only realize a return when their shares are sold.

We presently do not anticipate that we will pay dividends on any of our common stock in the foreseeable future. If payment of dividends does occur at some point in the future, it would be contingent upon our revenues, earnings and cash flow, if any, capital requirements, and general financial condition. The payment of any common stock dividends will be at the discretion of our Board of Directors. We presently intend to retain all earnings to implement our business plan; accordingly, we do not anticipate the declaration of any dividends for common stock in the foreseeable future.

Our business is subject to changing regulations related to corporate governance and public disclosure that may increase both our costs and the risk of noncompliance.

Because our common stock is publicly traded, we are subject to certain rules and regulations of federal, provincial and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities have issued requirements and regulations and continue to develop additional regulations and requirements in response to public concerns. Our efforts to comply with these regulations have resulted in, and are likely to continue resulting in, increasing general and administrative expenses. Because new and modified laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure controls and procedures have been established to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which annual filings are being prepared. Furthermore, internal controls over financial reporting have been established to ensure that the Company's assets are safeguarded and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The Company has worked to enhance our disclosure controls and procedures through the implementation of the *Internal Control – Integrated Framework (2013 Framework)* control framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and the *Control Objectives for Information and Related Technology 5.0* framework Issued by the Information Systems Audit and Control Association for the management and governance of information technology.

Management regularly evaluates the effectiveness of the Company's internal controls and as of December 31, 2022 have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company in a timely manner.

ADDITIONAL INFORMATION

Additional information relating to the Company, including our Annual Information Form, is available on SEDAR at www.sedar.com.

CORPORATE INFORMATION

Head Office:	36 Toronto Street Suite 805 Toronto, ON, M5C 2C5
Directors:	Steve Bromley (Chair) Peter Gianulis Jeremy Kendall Alejandro Maldonado Joe Riz (Chair, Audit Committee) Rients van der Wal Joost Verrest Gert van Noortwijk
Officers:	Steve Bromley, Co-Chief Executive Officer & President Rients van der Wal, Co-Chief Executive Officer & CEO Organto Europe BV Ralf Langner, Chief Financial Officer & Corporate Secretary John Rathwell, Senior Vice President, Investor Relations and Corporate Development Peter Thibaudier, Chief Financial Officer – Organto Europe BV
Auditor:	DMCL LLP 1500 – 1140 West Pender Street Vancouver, BC, V6E 4G1
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Transfer Agent:	Computershare Investor Services 2nd Floor – 510 Burrard Street Vancouver, BC, V6C 3B9