Vejii Holdings Ltd.

Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

Baker Tilly WM LLP
1500 – 401 Bay Street
Toronto, Ontario
Canada M5H 2Y4
T: +1 416.368.7990
F: +1 416.368.0886

toronto@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Vejii Holdings Ltd.:

Opinion

We have audited the consolidated financial statements of Vejii Holdings Ltd. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which describes the events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is John C. Sinclair.

Baker Tilly WM LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
May 2, 2022

Vejii Holdings Ltd.
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(Expressed in Canadian dollars)

		December 31, 2021		December 31, 2020
Assets				
Current assets				
Cash	$	143,021	$	97,193
Short term investments (note 5)		140,000		-
Accounts receivable (note 6)		187,833		19,508
Prepaid expenses and deposits (note 7)		309,865		-
Inventory (note 8)		746,457		15,111
Due from a related party		-		20,000
Total current assets		**1,527,176**		**151,812**
Non-current assets				
Equipment (note 9)		75,738		5,901
Right-of-use assets (note 10)		170,332		-
Intangible assets (note 11)		2,017,653		56,161
Goodwill (note 4)		4,774,205		-
Total non-current assets		**7,037,928**		**62,062**
Total assets	**$**	**8,565,104**	**$**	**213,874**
Liabilities and shareholders' equity (deficiency)				
Current				
Accounts payable and accrued liabilities (note 12)	$	2,447,038	$	82,445
Deferred revenue (Note 17)		78,665		-
Loans and borrowings (note 13)		1,739,598		-
Current portion of lease obligations (note 10)		27,275		-
Due to related parties		-		244,503
Total current liabilities		**4,292,576**		**326,948**
Non-current liabilities				
Lease obligations (note 10)		144,873		-
Contingent consideration (note 4)		1,844,281		-
Total non-current liabilities		**1,989,154**		**-**
Total liabilities		**6,281,729**		**326,948**
Shareholders' equity (deficiency)				
Share capital (note 14)		11,308,027		120,001
Shares to be issued		-		199,500
Contributed surplus (note 15 and 16)		3,659,931		-
Accumulated deficit		(12,684,246)		(432,575)
Accumulated other comprehensive loss		(337)		-
Total shareholders' equity (deficiency)		**2,283,375**		**(113,074)**
Total liabilities and shareholders' equity (deficiency)	**$**	**8,565,104**	**$**	**213,874**

Going Concern (Note 2)

Approved on May 2, 2022, by the Board of Directors

Director signed "Kory Zelickson" Director signed "Kenneth Jones"

See accompanying notes to the consolidated financial statements

Vejii Holdings Ltd.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

	Twelve months ended	
	December 31, 2021	**December 31, 2020**
Revenue (note 17)	$ 1,721,640	$ 25,441
Cost of goods sold (note 8)	1,199,786	42,829
Gross profit	**521,854**	**(17,388)**
Operating expenses		
Selling and distribution (note 18)	3,740,081	143,374
General and administrative (note 19)	5,849,720	270,101
Realized and unrealized foreign exchange loss	37,877	-
Loss on disposal of asset	1,155	-
Loss on remeasurement of warrant liability	3,117,856	-
Gain on remeasurement of lease obligation	(2,726)	-
Total operating expenses	**12,743,963**	**413,475**
Operating loss	**(12,222,109)**	**(430,863)**
Other income and expenses		
Interest expense	(29,562)	(1,712)
Total other income and expenses	**(29,562)**	**(1,712)**
Net loss	**$ (12,251,671)**	**$ (432,575)**
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustment	**(337)**	**-**
Comprehensive loss for the year	**$ (12,252,008)**	**$ (432,575)**
Weighted average number of common shares outstanding	20,025,048	2,418,063
Basic and diluted net loss per share (note 20)	$ (0.61)	$ (0.18)

See accompanying notes to the consolidated financial statements

Vejii Holdings Ltd.
Consolidated Statements of Changes in Equity (Deficiency)
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

	Number of shares	Share capital	Shares to be issued	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2019	**30**	**$ 1**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1**
Net loss and comprehensive loss for the year	-	-	-	-	(432,575)	-	(432,575)
Shares issued for cash	7,500,000	120,000	-	-	-	-	120,000
Shares to be issued	-	-	199,500	-	-	-	199,500
Balance at December 31, 2020	**7,500,030**	**$ 120,001**	**$ 199,500**	**$ -**	**$ (432,575)**	**$ -**	**$ (113,074)**
Net loss and comprehensive loss for the year	-	-	-	-	(12,251,671)	(337)	(12,252,008)
Shares issued for cash	13,618,902	7,329,246	(199,500)	293,689	-	-	7,423,435
Issue costs	-	(522,949)	-	11,451	-	-	(511,498)
Shares issued to settle debt	3,229,212	965,536	-	-	-	-	965,536
Repricing of warrants	-	-	-	3,117,856	-	-	3,117,856
Share based compensation	125,000	79,059	-	236,935	-	-	315,994
Share options exercised	12,500	5,000					5,000
Shares issued for acquisitions	4,098,964	3,332,134	-	-	-	-	3,332,134
Balance at December 31, 2021	**28,584,608**	**$ 11,308,027**	**$ -**	**$ 3,659,931**	**$(12,684,246)**	**$ (337)**	**$ 2,283,375**

See accompanying notes to the consolidated financial statements

Vejii Holdings Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

	December 31, 2021	December 31, 2020
Operating activities		
Net loss	**$ (12,251,671)**	**$ (432,575)**
Items not affecting cash:		
Depreciation of equipment	14,124	49
Amortization of intangibles	45,698	1,539
Share based compensation	315,994	-
Interest on lease obligations	3,795	-
Gain on lease modification	(2,726)	-
Loss on remeasurement of warrant liability	3,117,856	-
Loss on sale of equipment	7,503	-
Allowance for trade receivables	28,323	-
	3,530,567	1,588
Net change in non-cash working capital balances:		
Accounts receivable	(112,524)	(19,508)
Inventory	(82,187)	(15,111)
Prepaid expenses	(309,865)	-
Accounts payable and accrued liabilities	2,321,662	82,445
Deferred revenue	78,665	-
	1,895,751	47,826
Cash used in operating activities	**(6,825,353)**	**(383,161)**
Investing activities		
Purchase of equipment	(11,148)	(5,950)
Intangible development costs	(213,898)	(57,700)
Purchase of short-term investment	(140,000)	-
Acquisition of Veg Essentials, net of cash	(220,213)	
Acquisition of VedgeCo, net of cash	30,945	-
Cash used in investing activities	**(554,314)**	**(63,650)**
Financing activities		
Payments of lease obligations	(7,754)	-
Advances from related parties	-	244,503
Proceeds from loans and borrowings	500,000	-
Proceeds from issuance of common shares and units	7,423,435	100,000
Proceeds from exercise of options	5,000	
Share issue costs	(511,498)	-
Due to related parties	20,000	-
Funds received for share subscriptions	-	199,500
Cash provided by financing activities	**7,429,183**	**544,003**
Increase (decrease) in cash during the year	49,516	97,192
Effect of exchange rate changes on cash	(3,688)	-
Cash, beginning of year	97,193	1
Cash, end of period	**$ 143,021**	**$ 97,193**

<u>Non-cash transactions</u>

Issuance of shares to settle debt	965,536	
Issuance of shares for acquisition of subsidiaries	3,332,134	

See accompanying notes to the consolidated financial statements

1. REPORTING COMPANY

Vejii Holdings Ltd. (“Vejii” or the “Company”) was incorporated on July 30, 2019 under the Business Corporations Act of British Columbia. Its principal business activity is providing a digital marketplace which offers thousands of plant-based and sustainable living products directly to consumers from a wide array of brands. Vejii is currently operating in Canada and the United-States.

The Company's registered office is located at 666 Burrard Street, Suite 2500, Vancouver, British Columbia, V6C 2X8. Beginning on November 10, 2021, the Company became listed on the Canadian Securities Exchange and trades under the symbol VEJI.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and the IFRS Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the years ended December 31, 2021 and 2020. These consolidated financial statements were approved by the Board of Directors on May 2, 2022.

Basis of consolidation

These consolidated financial statements include the accounts of Vejii Holdings Ltd. and its 100% owned subsidiaries Vejii Inc., Vejii Holdings Ltd (UK)., Veg Essentials LLC and VEDGEco USA, Inc.

All intercompany transactions and balances have been eliminated upon consolidation.

A subsidiary is a company which is controlled by Vejii. The Company has control over a subsidiary when it is exposed to or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

A subsidiary is fully consolidated from the date on which control is obtained by the Company and is deconsolidated from the date that control ceases.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. The functional currency of the Company’s material subsidiaries being Veg Essentials LLC and VEDGEco USA, Inc. is the United States Dollar.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and settle its liabilities in the normal course of business. The nature of the Company’s commencement of operations resulted in significant expenditures for setting up the operations to scale for a large volume of transactions. The eventual generation of profit is dependent upon several factors including expanding into various markets, the ability of the Company to obtain financing to support growth and scale of operations, and to continue to meet working capital and operating cash flows.

2. BASIS OF PRESENTATION (continued)

Going concern (continued)

To date, the Company has not generated positive cash flows from operations. For the year ended December 31, 2021, the Company incurred a net loss of $12,251,671 and as at December 31, 2021 the Company had an accumulated deficit of $12,684,246 and a working capital deficiency of $2,796,001. These conditions give rise to a material uncertainty that may cast a significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings provided by the Company's existing shareholders and/or new shareholders or through other arrangements. There is no assurance that the Company will be successful in this regard. These events and conditions indicate a material uncertainty that may cast a significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

COVID-19

In March 2020, there was a global outbreak of COVID-19 which has a significant impact on businesses through the restrictions put in place by the Canadian and American authorities regarding travel, business operations and isolation/quarantine orders. These restrictions did not materially disrupt the Company's operations during 2021. The Company is closely monitoring the impact of the pandemic on all aspects of its business. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the extent of the impact the COVID-19 outbreak will have on the Company's business, financial position, and operating results in the future. Additionally, it is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID-19 and the effect of any such estimates could be material.

Critical accounting estimates and judgments

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Significant estimates as at December 31, 2021 and 2020 related to:

- the value of privately held common shares that the Company utilized in the determining grant date fair values for options and warrants
- the probability weighted fair value of contingent consideration in a business combination
- the incremental rate of borrowing used in estimating the present value of minimum lease payments
- unobservable inputs utilized such as revenue growth rates and discount factors utilized in income-based models used to estimate the fair value of intangibles acquired in a business combination
- useful lives for equipment and intangibles assets

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements relate to the following:

- the assessment of the Company's ability to continue as a going concern
- existence of impairment indicators for long-lived assets
- collectability of the Company's accounts receivable

2. BASIS OF PRESENTATION (continued)

Share consolidation

On March 28, 2022, the Company completed a one-for-four share consolidation of all outstanding common shares. Shares reserved under the Company's equity and incentive plans were adjusted to reflect the share consolidation. All share and per share data presented in the Company's consolidated financial statements have been retroactively adjusted to reflect the share consolidation unless otherwise noted.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate in effect at the year-end date. Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the reporting currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the reporting currency at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive loss.

Business combinations

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company.

In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired is capable of being conducted and managed for the purpose of providing goods or services to customers.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

Inventory

Inventory is recorded at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method and includes all costs of purchases and all other costs incurred in bringing inventories to their present location and condition. Inventory consists of finished goods held for sale. NRV is the estimated selling price in the ordinary course of business, less the selling expenses.

The Company determines if the cost of any inventory exceeds its NRV, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. The Company records a write-down to reflect management's best estimate of the net realizable value of inventory based on the above factors.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Recognition and measurement

Items of equipment are initially measured at cost. Items of equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Classes of equipment are classified by significant components, which are individually amortized over the useful life of the component.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Estimates of useful lives and depreciation methods are as follows:

- Computer hardware	5 years straight-line
- Warehouse equipment	5 years straight-line
- Vehicle	5 years straight-line

Intangible assets

Intangible assets with finite lives are measured on initial recognition at cost, which comprises the purchase price plus any directly attributable costs of preparing the asset for intended use. Following initial recognition, such intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are comprised of website and mobile application development costs and customer relationships. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationships that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. The Company records amortization using the straight-line method over the following estimated useful life:

The estimated useful lives are as follows:

- Website development	3 years
- Customer relationships	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill

Goodwill is recorded at the time of purchase for the excess of the amount of the purchase price over the fair values of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized and instead is tested at least annually for impairment, or more frequently when events or changes in circumstances indicate that goodwill might be impaired. This impairment test is performed annually at December 31.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

At inception of a new contract, the Company assesses whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

i. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.

ii. the Company has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

iii. the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use (ROU) asset and a lease liability on the consolidated statement of financial position. The ROU asset is initially recorded at cost, which comprises the initial amount of the lease liability and any initial direct costs incurred less any lease payments made at or before the initial adoption date. The ROU asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for remeasurements of the lease liability. The lease liability is measured at the present value of the expected lease payments over the lease term, discounted at the interest rate implicit in the lease; if the rate cannot be determined, the incremental borrowing rate is used. The Company determines its incremental borrowing rate with reference to interest rates evidenced from external financing sources together with adjustments as appropriate to reflect the terms of the lease and the nature of the asset.

The liability is increased for the passage of time and payments on the lease are offset against the lease liability.

Financial Instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

A financial asset other than a trade receivable (without a significant financing component) is initially measured at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. All of the Company's financial assets fall within the classification of financial assets at amortized cost. A financial asset is measured at amortized cost if is not designated as at fair value through profit or loss (FVTPL) and meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognized in profit or loss.

Impairment

Financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost. Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Revenue

IFRS 15 requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the Company satisfies a performance obligation.

Revenue arises exclusively from sales of plant-based and sustainable goods to customers through online store orders. Revenue from sale of goods to customers are recognized at the point in time when the company transfers control of the goods to the customer and satisfies the performance obligation. Revenue is measured based on the transaction price listed on the e-commerce platforms net of customer discounts and other sales related discounts.

Wholesale revenue from strategic partnerships with customers is recognized when the goods are delivered to the customer's destination. Payment is due based on a specified time period as permitted by the underlying agreement. Revenue is measured at the agreed upon transaction price based on the underlying arrangement which defines the consideration expected to be received.

The Company's gift card program allows customers to prepay for future purchases by loading a dollar value onto their gift cards. The gift cards are non-refundable and not redeemable for cash. Outstanding balances on gift cards are included in deferred revenues in our consolidated statements of financial position.

The Company provides marketing and fulfillment services for which payments are received prior to the satisfaction of performance obligations. Amounts received for performance obligations not satisfied are recorded as deferred revenues.

The Company's loyalty program allows customers to receive loyalty points which may be redeemed for goods at a future date. The Company allocates a portion of the consideration received to the loyalty points. The amount allocated to the loyalty points is deferred and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. Amounts allocated to loyalty points are recorded as accrued liabilities. The Company's loyalty program was discontinued effective August 31, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity in which case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Company has determined that it is not yet probable that deferred tax assets on the tax losses carried forward and other temporary differences will be realized and has recognized deferred tax assets to the extent of recognized deferred tax liabilities.

Deferred income tax is provided on temporary differences arising on the Company's investment in its subsidiary, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable Company or different taxable entities where there is an intention to settle the balances on a net basis.

Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects. The Company adopted a relative value method with respect to the measurement of shares and warrants issued as units in the private placement of Subscription Receipts and Special Warrants (see Note 14 for details).

Share based compensation

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The value of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based compensation (continued)

In situations where equity instruments are issued to non-employees for goods or services, the transaction is measured at the fair value of the goods or services received by the Company. When the value of the goods or services cannot be reliably estimated, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the holders become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is recorded in contributed surplus.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, and related parties may be individuals or corporate entities.

Net Loss per share

Basic net loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted net loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on net loss per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted net loss per share by the treasury stock method. In a loss period, potentially dilutive stock options and warrants are excluded from the loss per share calculation as the effect is anti-dilutive.

Comprehensive income

Comprehensive income consists of changes to foreign currency translation adjustments of the non-Canadian subsidiaries during the year. Amounts reported as other comprehensive income are accumulated in a separate component of shareholder's equity.

Adoption of new and revised standards and interpretations

At the date of authorization of these consolidated financial statements, the IASB and the IFRIC have issued new and revised Standards and Interpretations, where certain Standards and Interpretations have come into effect during the reporting period and others have not yet come into effect. All recently issued pronouncements that have come into effect did not have a material effect on the consolidated financial statements and the pronouncements not yet effective are not expected to have a material effect on the consolidated financial statements of the Company.

(Expressed in Canadian dollars)

4. BUSINESS COMBINATIONS

Acquisition of Veg Essentials LLC (“Veg Essentials”)

On April 15, 2021, the Company entered into an agreement (as amended on September 24, 2021) to acquire 100% of the issued and outstanding equity interests of Veg Essentials, an online retailer of animal-free and cruelty-free products operating since 1997 and headquartered in Wisconsin, US. The acquisition closed on October 28, 2021.

Following is the summary of the purchase equation for the Veg Essentials acquisition:

Fair value of consideration transferred	
Cash paid	$ 250,080
Common shares issued	759,134
Total consideration transferred	$ 1,009,214
Recognized amounts of identifiable net assets	
Cash	$ 29,867
Accounts receivable	41,179
Inventory	144,920
Equipment	30,804
Right-of-use assets	40,704
Intangible assets – customer relationships	782,309
Accounts payable and accrued liabilities	(231,908)
Lease liabilities	(46,780)
Loans and borrowings	(10,813)
Other liabilities	(6,148)
Total identifiable net assets	$ 774,134
Goodwill on acquisition	$ 235,080

Consideration transferred

As consideration for Veg Essentials equity interests, the Company paid $250,080 in cash and issued 882,714 common shares measured at a fair value of $0.86 per share, which was estimated with reference to the trading price of the Company’s shares close to the date of closing of the acquisition.

Identifiable intangible assets – customer relationships

Customer relationships were valued using the multi period excess earnings method, an income-based approach utilizing a discount rate of 30%, a short-term average organic revenue growth rate of 24% and a long-term organic revenue growth rate of 1%.

Goodwill

Goodwill of $235,080 is primarily related to synergies with the Company and expectations of growth of the business tied with the growth of the overall industry. Goodwill recognized will not be deductible for income tax purposes.

(Expressed in Canadian dollars)

4. BUSINESS COMBINATIONS (continued)

Acquisition of Veg Essentials LLC ("Veg Essentials") (continued)

At December 31, 2021, the recoverable amount for the Veg Essentials CGU was estimated using a fair value less costs of disposal method, using the an income-based approach with inputs similar to those utilized for the purchase equation. No impairment was loss was identified.

Contribution to the Company's results

If the transaction had closed on January 1, 2021, the Company's revenue for the year ended December 31, 2021 would have increased by $2,376,658 and net loss for the same period would have increased by $161,246. During the post acquisition period, Veg Essentials contributed $606,249 in revenue and $59,859 in net income to the consolidated results of the Company.

Acquisition of VEDGEco USA, Inc. ("VEDGEco")

On December 22, 2021, the Company entered into an agreement to acquire all of the issued and outstanding common shares of VEDGEco, a leading online B2B wholesale platform for plant-based products in Delaware, US. The acquisition closed on December 31, 2021.

Following is the summary of the purchase equation for the VEDGEco acquisition:

Fair value of consideration transferred	
Common shares issued	$ 2,573,000
Contingent consideration	1,844,281
Total consideration transferred	$ 4,417,281
Recognized amounts of identifiable net assets	
Cash	$ 30,945
Accounts receivable	42,945
Inventory	504,239
Equipment	43,738
Intangible assets – customer relationships	1,010,982
Accounts payable and accrued liabilities	(525,908)
Loans and borrowings	(1,228,785)
Total identifiable net liabilities	$ (121,844)
Goodwill on acquisition	$ 4,539,125

Consideration transferred

As consideration for VEDGEco shares, the Company issued 3,216,250 common shares measured at a fair value of $0.80 per share, which was based on the trading price of the Company's shares on the date of closing of the acquisition.

Contingent consideration

In accordance with the terms of the agreement, the sellers of VEDGEco are entitled to additional Earn Out amounts to be settled in common shares of the Company up to a maximum value of US$ 2,750,000, based on meeting milestones related to revenue and EBITDA targets as well as continued employment with the Company during the years 2023 and 2024. Fair value of contingent consideration was measured based on a probability weighted analysis of expected outcomes where management applied judgment in determining the probability weights associated with the outcomes for each of the years under different scenarios and applied a discount factor of 3% to adjust the values associated with each scenario to account for the time value of money.

(Expressed in Canadian dollars)

4. BUSINESS COMBINATIONS (continued)

Acquisition of VEDGEco USA, Inc. (“VEDGEco”) (continued)

Identifiable intangible assets – customer relationships

Customer relationships were valued using the multi period excess earnings method, an income-based approach utilizing a discount rate of 25%, a short-term average organic revenue growth rate of 31% and a long-term organic revenue growth rate of 1%.

Goodwill

Goodwill of $4,539,125 is primarily related to synergies with the Company and expectations of growth of the business tied with the growth of the overall industry. Goodwill recognized will not be deductible for income tax purposes.

Contribution to the Company’s results

If the transaction had closed on January 1, 2021, the Company’s revenue for the year ended December 31, 2021 would have increased by approximately $2,873,138 and net loss for the same period would have increased by $2,567,152.

5. SHORT TERM INVESTMENTS

Short term investments are comprised of guaranteed investment certificates with a term of twelve months at the time of purchase.

6. ACCOUNTS RECEIVABLE

Accounts receivable consist of:

	December 31, 2021	December 31, 2020
Trade receivables	$ 65,474	$ 10,728
Government remittances receivable	122,359	8,780
	$ 187,833	**$ 19,508**

Trade receivables are amounts due from customers for onboarding fees and marketing packages. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are stated net of an expected credit loss allowance amounting to $28,323 (December 31, 2020: $nil).

7. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of:

	December 31, 2021
Inventory deposit	$ 10,320
Prepaid insurance	57,542
Prepaid investor relations services	214,373
Other	27,630

(Expressed in Canadian dollars)

$	**309,865**

8. INVENTORY

Inventory comprises of goods held for resale, mainly consisting of food products and household items. At the reporting date, inventory was held at third-party warehouses. Inventories recognized as cost of goods sold for the year ended December 31, 2021 amounted to $1,199,786 (2020 - $42,829). No write-downs of inventories to NRV were recorded during the year ended December 31, 2021 (2020 - $nil)

9. EQUIPMENT

The carrying amounts for equipment and the changes in the carrying amounts are as follows:

	Computer hardware		Warehouse equipment		Vehicle		Total	
a) Cost								
At December 31, 2020	$	5,950	$	-	$	-	$	5,950
Additions		4,552		63,072		18,066		85,690
Disposal		(7,503)		-				(7,503)
At December 31, 2021	**$**	**2,999**	**$**	**63,072**	**$**	**18,066**	**$**	**84,137**
b) Accumulated depreciation								
At December 31, 2020	$	49	$	-	$	-	$	49
Depreciation		551		7,799		-		8,350
At December 31, 2021	**$**	**600**	**$**	**7,799**	**$**	**-**	**$**	**8,399**
c) Carrying amounts (a-b)								
At December 31, 2020	$	5,901	$	-	$	-	$	5,901
At December 31, 2021	**$**	**2,399**	**$**	**55,273**	**$**	**18,066**	**$**	**75,738**

10. LEASES

On November 1, 2021, the Company entered into a new lease agreement for its warehouse facility in Wisconsin. The term of the lease is for five years with a minimum annual rent of $36,180.00 plus operating costs.

Right-of-use assets
As of December 31, 2021 the Company had right-of-use-assets as follows:

	December 31, 2021	
Beginning balance	$	-
Additions to right-of-use-assets		176,106
Depreciation for the year		(5,774)
Ending balance	**$**	**170,332**

(Expressed in Canadian dollars)

10. LEASES (continued)

Lease Obligations

As of December 31, 2021 the Company had lease liabilities as follows:

		December 31, 2021
Beginning balance	$	-
Additions and lease modifications		176,107
Payment of lease obligations		(7,754)
Interest expense on lease obligations		3,795
Ending balance	**$**	**172,148**

Current portion		27,275
Non-current portion		144,873
Lease obligations balance, end of year	**$**	**172,148**

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2021

As at		**December 31, 2021**
Less than one year		46,022
One to five years		189,175
More than 5 years		-
	$	**235,197**

(Expressed in Canadian dollars)

11. INTANGIBLE ASSETS

The carrying amounts for intangible assets and the changes in the carrying amounts are as follows:

	Website and mobile application development costs	Customer relationships (Note 4)	Total
a) Cost			
At December 31, 2020	$ 57,700	$ -	$ 57,700
Additions	213,898	1,793,292	2,007,190
At December 31, 2021	**$ 271,598**	**$ 1,793,292**	**$ 2,064,890**
b) Accumulated amortization			
At December 31, 2020	$ 1,539	-	1,539
Amortization	18,926	26,772	45,698
At December 31, 2021	**$ 20,465**	**$ 26,772**	**$ 47,237**
c) Carrying amounts (a-b)			
At December 31, 2020	$ 56,161	$ -	$ 56,161
At December 31, 2021	**$ 251,133**	**$ 1,766,520**	**$ 2,017,653**

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	December 31, 2021	December 31, 2020
Trade accounts payable	$ 1,239,280	$ 39,118
Accrued liabilities and other payables	1,207,758	43,327
	$ 2,447,038	$ 82,445

13. LOANS AND BORROWINGS

Below is a summary of loans and borrowings of the Company:

	December 31, 2021
Working capital loans (i)	$ 226,360
Unsecured loan (ii)	486,761
Revolving Grid Note (iii)	515,665
VEDGEco loans assumed in business combination	1,228,786
Veg Essentials loan assumed in business combination	10,812
Loan from a related party (iv)	500,000
	$ 1,739,598

13. LOANS AND BORROWINGS (continued)

(i) Working capital loans related to short term funding advances from financial institutions, whereby in exchange for funding advances, the Company is required to remit to the financial institutions, periodic payments determined on the basis of a percentage of the Company's collections from customers during the same period (the Remittance Rate between 5% to 20%), such that the total amounts remitted by the Company in excess of the advanced amounts, represent an effective interest rate between 6% to 13%.

The working capital loans are secured against the Company's accounts receivable balances underlying the Remittance Rate requirement, together with any cash balance held by the Company in a designed bank account used by the Company with its platform for customers.

(ii) Represents various amounts advanced by a former director of VEDGEco during the year 2021. The unsecured loan is interest free and repayable on demand.

(iii) The Revolving Grid Note facility was closed with a former related party of VEDGEco, with the total facility amounting to US$500,000, available to VEDGEco in five equal monthly advances starting September 15, 2021, priced at an interest rate of 10% per annum and maturity on September 14, 2022. At December 31, 2021 a total of US$400,000 had been accrued including interest amounting to US$6,740.

(iv) On September 8, 2021, the Company entered into a promissory note with a director for a loan amounting to $500,000 with interest at 10% per annum, payable quarterly and maturity on December 8, 2022.

14. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2021, there were 28,584,608 (2020 – 7,500,030) common shares issued and outstanding.

Issued

On February 4, 2021, the Company closed a private placement financing pursuant to which a total of 3,510,000 common shares were issued at a price of $0.20 per share, for gross aggregate proceeds of $702,000.

On February 12, 2021, the Company settled debt with third parties of $462,500 through the issuance of common shares. The Company issued a total of 2,312,500 common shares at an issue price of $0.20 per share.

On February 24, 2021, the Company closed a private placement financing pursuant to which a total of 6,536,188 common shares were issued at a price of $0.40 per share, for gross aggregate proceeds of $2,614,475 and 25,000 common shares were issued at a price of $0.40 per share for settlement of debt with related party of $10,000.

On March 23, 2021, the Company closed a private placement financing pursuant to which a total of 520,000 common shares were issued at a price of $0.40 per share, for gross aggregate proceeds of $208,000.

On March 23, 2021, the Company settled debt with related and third parties of $302,144 through the issuance of common shares. The Company issued a total of 755,360 common shares at an issue price of $0.40 per share.

14. SHARE CAPITAL (continued)

On July 6, 2021, the Company issued an Offering for an aggregate of 1,675,036 Subscription Receipts and 1,252,435 Special Warrants. Gross proceeds of $2,345,050 were received for the Subscription Receipts which have been placed in escrow. Gross proceeds of $1,753,410 were received for the Special Warrants. Each Subscription Receipt and Special Warrant entitled the holder to automatically receive, without payment of additional consideration or further act or formality on the part of the holder thereof, one Underlying Unit. Each Underlying Unit is comprised of one common share and one-half of one common share warrant. Each full warrant is exercisable into one common share at an exercise price of $2.00 per share. The Company also issued 120,115 compensation warrants and 35,375 advisor options in connection with the Offering. Each compensation warrant and advisor option is exercisable for one common chare at a price $1.40 until July 6, 2023.

On November 1, 2021, the Subscription Receipts and Special Warrants were converted into an aggregate of 3,052,714 common shares and 1,526,357 common share purchase warrants (the “Warrants“), with each Warrant being exercisable for one additional common share at a price of $2.00 until November 1, 2023. 3,052,714 common shares and equivalent one half warrants include 125,244 penalty shares and equivalent one half warrants issued as a result of the final prospectus in connection with the Offering being filed in excess of 90 days from the closing of the Subscription Receipts and Special Warrants, which in accordance with the terms of the subscription agreements, entitled the holders to an additional 10% of units as penalty.

The gross proceeds of $4,098,460 were allocated between common shares and warrants using a relative fair value method based on iterations of the Black-Scholes Option Pricing model to derive values for a common share and half a warrant given the following estimated inputs risk free rate of interest of 0.46%, expected volatility of 52.02% and expected life of 2 years. Based on derived fair values $1.30 per common share and $0.10 per one half warrant, $3,804,770 was allocated to share capital and $293,689 was allocated to contributed surplus.

Share issuance costs amounting to $511,498 in the nature of cash disbursements to brokers, lawyers and advisors, $20,492 of shares issued as transaction costs and $53,400 being the fair value of compensation warrants and advisor options, collectively $585,389 were also allocated to share capital and contributed surplus based on the ratios of relative fair values used to allocated proceeds above.

On July 26, 2021, the Company settled debt with third parties of $170,400 through the issuance of common shares. The Company issued a total of 121,714 common shares at an issue price of $1.40 per share.

On October 28, 2021, the Company closed the acquisition of Veg Essentials LLC and issued 882,714 common shares to the sellers of Veg Essentials LLC.

On November 1, 2021, the Company issued 125,000 common shares to the CEO and COO of the Company for achievement of CSE listing.

On November 1, 2021, the Company issued 14,638 common shares for the settlement of corporate finance fees of $20,492.

On December 22, 2021, 12,500 common shares were issued for proceeds of $5,000 upon exercise of stock options.

On December 31, 2021, the Company closed the acquisition of VEDGEco USA, Inc. by issuing 3,216,250 common shares to the shareholders of VEDGEco USA, Inc.

(Expressed in Canadian dollars)

15. STOCK OPTION PLAN

An employee stock option plan (the "Stock Option Plan") was established by the Company to attract and retain employees, consultants, officers and directors of the Company. The Stock Option Plan provides for the granting of options to purchase common shares of the Company. Under the Stock Option Plan, stock options generally vest over a period of two years and expire five years from the grant date.

The following table summarizes the continuity of the stock options during the year ended December 31, 2021:

	December 31, 2021	
	Number of options	Weighted average exercise price
Outstanding, beginning of year	-	$ -
Granted	2,990,000	1.28
Exercised	(12,500)	0.40
Forfeited	(187,500)	1.40
Outstanding, end of year	2,790,000	1.28
Exercisable, end of year	1,342,500	$ 1.28

The stock options granted during the twelve-month period ended December 31, 2021 had a weighted average fair value of $0.12 (2020 is $nil). The weighted average inputs to the Black-Scholes Option Pricing model are as follows:

	December 31, 2021
Expected volatility	**54%**
Risk-free interest rate	**0.95%**
Expected life (months)	**51**
Weighted average exercise price	**$ 1.28**

For the year ended December 31, 2021, an expense of $236,935 (2020 – $nil), was recorded in the consolidated statement of loss and comprehensive loss in relation to the Stock Option Plan.

(Expressed in Canadian dollars)

15. WARRANTS AND ADVISOR OPTIONS

The Company has outstanding share warrants and advisor options. Each warrant and advisor option is convertible into one common share of the Company upon exercise. The following table summarizes warrants and advisor options outstanding and exercisable:

Date of issuance	Date of expiry	Exercise price	December 31, 2021 outstanding and exercisable	December 31, 2020 outstanding and exercisable
September 2, 2020	September 2, 2025	$ 0.60 (a)	5,000,000	5,000,000
September 11, 2020	September 11, 2025	$ 1.00 (a)	2,500,000	2,500,000
July 6, 2021	July 6, 2023	$ 1.40	155,490	-
November 1, 2021	November 1, 2023	$ 2.00	1,526,327	-
			9,181,847	7,500,000

16. WARRANTS AND ADVISOR OPTIONS

(a) The exercise price of the warrants issued on September 2, 2020 increased to $0.60 from $0.004 and the exercise price of the warrants issued September 11, 2020 increased to $1.00 from $0.04 (collectively these warrants are referred to as the “2020 warrants”) upon the Company listing on a public stock exchange. Given the repricing terms of these 2020 warrants and the embedded derivative thereof, the Company estimated the fair value of these warrants (classified as financial liabilities at FVTPL) at grant date and at December 31, 2020 to be $nil. At the point of completing a listing in November 2021, the Company remeasured the fair value of these warrants to be $3,117,856 which was recorded as a loss on remeasurement of warrant liability within the consolidated statements of loss and comprehensive loss. Pursuant to the repricing adjustment, the Company determined that the 2020 warrants met the criteria for classification as equity instruments and accordingly, at December 31, 2021 $3,117,856 has been reclassified within contributed surplus. The fair value of the 2020 warrants was remeasured using the Black-Scholes Option Pricing model, with the following estimated inputs: risk free rate of interest of 1.36%, expected volatility of 54.11% and expected life of 4 years

The following table summarizes the warrants and advisor options issued during the period:

	December 31, 2021		December 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at the beginning of the year	7,500,000	$ 0.72	-	$ -
Issued during the year	1,681,847	$ 1.96	7,500,000	$ 0.016
Outstanding at end of the year	9,181,847	$ 0.96	7,500,000	$ 0.016

(Expressed in Canadian dollars)

17. REVENUE

Revenue arises from the sales of goods to customers through online store orders on the Company's marketplaces. As of July 2021, the Company began offering optional marketing services to third party marketplace vendors. These services include targeted ads, social media marketing, influencer marketing and product features on our website.

Services revenue from strategic partnerships with customers are recognized as the service milestones are performed and is measured at the agreed upon transaction price based on the underlying arrangement which defines the consideration expected to be received.

The following table summarizes revenue disaggregated by Marketplace revenue and Services revenue for the periods presented:

	December 31, 2021	December 31, 2020
Major service lines revenue		
Marketplace	1,652,746	25,441
Marketing services	68,894	-
	$ 1,721,640	**$ 25,441**

Deferred revenues

The Company records deferred revenues when payments are received prior to the satisfaction of performance obligations. Deferred revenue for the year ended December 31, 2021 amounted to $78,665 (2020 – nil).

17. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses are comprised of the following:

	December 31, 2021	December 31, 2020
Marketing and advertising	$ 1,473,444	$ 117,103
Freight, packaging and warehousing	1,877,274	-
Contract services	324,925	13,776
Other	64,438	12,495
	$ 3,740,081	**$ 143,374**

(Expressed in Canadian dollars)

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	December 31, 2021	December 31, 2020
Compensation and contract services	$ 2,888,040	$ 171,133
Professional services	2,129,761	72,214
Share based compensation	315,994	-
Software and IT expenses	230,470	17,701
Supplies	52,060	1,960
Loyalty program expense	45,488	-
Rent and lease	45,922	-
Depreciation and amortization	59,822	1,588
Other	82,163	5,505
	$ 5,849,720	**$ 270,101**

19. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted net loss per share for the year ended December 31, 2021 was based on the loss attributable to common shareholders of $12,251,671 (2020 - $432,575) and the basic and diluted weighted average number of common shares outstanding of 20,025,048 (2020 – 2,418,063).

20. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties and related party transactions are summarized below and include transactions with the following individuals or entities:

Key management compensation

Key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee. Remuneration attributed to key management personnel is summarized as follows for the years ended:

	December 31, 2021	December 31, 2020
Wages, management, and directors’ fees	$ 559,566	$ 60,000
Share based compensation	687,165	-

(Expressed in Canadian dollars)

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Other compensation

During the year ended December 31, 2021, the Company incurred salaries and wages of $94,583 (2020 - $nil) with an individual related to the President and Chief Operating Officer of the Company.

Due to related Parties

As at December 31, 2021, the Company owed Kory Zelickson, Chief Executive Officer and director $500,000 (2020 - $nil) for loans advanced by Mr. Zelickson (See Note 13 for details)

21. INCOME TAX

The Company operates in Canada and the United States and is subject to statutory income tax rates of 27%. The income tax provision differs from the amounts that would be obtained by applying the Canadian statutory income tax rate to net income (loss) before taxes as follows:

	December 31, 2021	December 31, 2021
Statutory income tax rate	27.00%	27.00%
Accounting income (loss) before income taxes	$ (12,251,671)	$ (432,575)
Expected income tax (recovery) at statutory rates	(2,720,585)	(116,795)
Non-deductible expenditures	340,821	-
Change in deferred tax assets not recognized	2,379,764	116,795
Income tax expense (recovery)	$ -	$ -

The Company did not recognize the deferred tax assets related to the following deductible temporary differences:

	December 31, 2021	December 31, 2020
Non-capital losses	$ 9,295,769	$ 430,986
Non-capital losses acquired	2,854,103	-
Property and equipment	3,550	49
Share issuance costs	425,951	-
Balance	$ 12,579,372	$ 431,035

(Expressed in Canadian dollars)

21. INCOME TAX (continued)

At December 31, 2021, the Company has non-capital losses of approximately $12,149,871 (2020 - $430,986) which may be carried forward and applied against future income for Canadian and United States income tax purposes, subject to final determination by tax authorities, expiring in the following years:

Year of Expiry	Amount
2037	$ -
2038	-
2039	-
2040	723,194
2041	11,426,678
Total	$ 12,149,872

22. SUBSIDIARIES

These consolidated financial statements include entities controlled by the Company. Control exists when Vejii Holdings Ltd. has the ability to direct the relevant activities and the returns of an entity. The financial statements of these entities are included in these consolidated financial statements from the date that control commences. Details of the Company's significant entities are as follows:

Name of subsidiary	Country of incorporation	Ownership interest	
Vejii Inc.	No activity	United States	100%
Vejii Holdings Ltd.	No activity	United Kingdom	100%
Veg Essential LLC	E-commerce retailer of plant-based products direct to consumer	United States	100%
VEDGEco USA, Inc.	E-commerce retailer of plant-based products direct to businesses	United States	100%

23. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are as follows:

- To safeguard its ability to continue as a going concern; and
- To have sufficient capital to be able to meet its strategic objectives including the continued expansion of its services offerings and locales.

Given the current start-up phase, the Company's primary source of capital is derived from debt and equity issuances. Capital consists of equity attributable to common shareholders.

The Company has no externally imposed capital requirements and manages its capital structure in accordance with its strategic objectives and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares in the form of private placements and/or secondary public offerings. There has been no change in the Company's approach to capital management during the period ended December 31, 2021.

24. FINANCIAL INSTRUMENTS

Carrying value and fair value

The Company's financial instruments comprise cash, short term investments, accounts receivable, amounts due from related party, loans and borrowings, accounts payable and accrued liabilities and amounts due to related parties.

Financial instruments recognized at fair value on the consolidated statement of financial position are classified in fair value hierarchy levels as follows:

- Level 1: Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques based on inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
- Level 3: Valuation techniques with unobservable market inputs (involves assumptions and estimates by management).

Cash, accounts receivable and amounts due from related party are recorded at amortized cost.

Accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities and are recorded at amortized cost.

Fair value

The carrying amounts of cash, accounts receivable, amounts due from and due to related parties, loans and borrowings, accounts payable and accrued liabilities do not materially differ from their fair values given their short-term period to maturity.

25. LEGAL PROCEEDINGS

The Company accrues for liabilities when it is probable and the amount can be reasonably estimated.

A Statement of Claim was filed on April 16, 2021 by Lettuce Holdit Ltd. and Freshii Inc. (as plaintiffs) against the Company and Vejii Inc. (as defendants) alleging a trademark infringement due to the Company's use of "Vejii" as a trademark, tradename and branding (the "Infringement Claim"). The plaintiffs sought to restrain the Company from using the "Vejii" mark and indicated they were seeking damages in excess of $50,000. The Company filed a Statement of Defense in respect of the Infringement Claim on May 21, 2021. Set out below is a summary of the Company's position in Statement of Defense in respect of the Infringement Claim:

(a) "FRESHII" and "VEJII" do not share visual, aural or conceptual similarities as taking the marks as a whole, the only similarity between the marks is the "II" suffix and consumers pay more attention to the beginning of a word than the end, the phonetic sound "II" is not distinctive of any one entity and the "FR" at the beginning of "FRESHII" and "V" at the beginning of "VEJII" are aurally different;

(b) "FRESHII" and "VEJII" do not share conceptual similarities as "VEJII" is a play on the idea of 'vegetables' as it sounds the same as the common abbreviation of "veggie" for vegetables and by contrast, FRESHII is not an abbreviation of, or a play on, another word as its dominant element the word "FRESH" (as consumers pay closer attention to the beginning of a word than the end) which is neither a synonym nor a common association of the word 'vegetables' or any other similar words in this space; and

25. LEGAL PROCEEDINGS (continued)

(c) while there is very limited overlap in the services covered by "VEJII" and "FRESHII", taking into account the lack of similarity between the marks and the different target consumers, there is no likelihood of confusion between the marks as a result of this very limited overlap in services.

The Company believes that this claim is without merit. As such, no provision has been recognized.

The Company is not aware of any other material legal proceedings involving the Company nor are any such proceedings known by the Corporation to be contemplated.

26. RISK MANAGEMENT AND LIQUIDITY

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk and interest rate risk.

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. Financial instruments that potentially subject the Company to credit risk consist of cash. The carrying amount of the Company's financial assets represents the Company's maximum exposure to credit risk. The Company manages credit risk by placing cash and short-term investments with major Canadian financial institutions. The Company manages credit risk of its accounts receivable by only extending credit to creditworthy customers. Management believes the credit risk is low.

Foreign Exchange Risk

The Company operates in Canada and the United States and therefore, currently, has limited exposure to foreign exchange risk arising from transactions denominated in foreign currencies. Other than Canadian dollar balances, the Company holds balances in cash, accounts receivable and due to related parties and accounts payable that are denominated in US$ as outlined below. Accordingly, the Company is subject to foreign exchange risk relating to such balances in connection with fluctuations against the Canadian dollar. The Company has no program in place for hedging foreign currency risk.

The Company held the following foreign currency denominated balances as at December 31, 2021 and December 31, 2020:

		December 31, 2021		December 31, 2020
Cash (US $)	$	79,516	$	13,303
Accounts receivable (US $)		51,602		8,426
Due to related parties (US $)		-		(5,746)
Accounts payable and accrued liabilities (US $)		(1,635,515)		(8,616)
Lease obligation (US $)		(135,785)		-
Loans and borrowings (US $)		(392,470)		-
Total (US $)	$	(2,032,652)	$	7,367
Foreign exchange rate		1.27		1.27
Equivalent in Canadian dollars	$	(2,576,996)	$	9,380

26. RISK MANAGEMENT AND LIQUIDITY (continued)

Based on the balances held as at December 31, 2021, a 10% appreciation of the Canadian dollar relative to the US dollar would have resulted in a decrease in the net loss for the period ended of approximately $257,700 (2020 – increase in net loss of $938)

Interest Rate Risk

Interest rate risk is the risk that cash flows will fluctuate due to changes in market interest rates. While the Company's financial assets are generally not exposed to significant interest rate risk because of their short-term nature, changes in interest rates will have a corresponding impact on interest income realized on such assets.

The Company's financial liabilities are not exposed to significant interest rate risk because they are either non-interest bearing or carry a fixed interest rate. Changes in interest rates will not have a corresponding impact on interest expense incurred on such liabilities.

Liquidity Risk

Liquidity risk arises from the Company's general and capital financing needs. The Company continuously monitors and reviews both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities, when feasible.