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ORGANTO FOODS INC.

CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the Three Months Ended
March 31, 2024

(Stated in Canadian Dollars)

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51-102 Continuous Disclosure Obligations of The Canadian Securities Administrators we hereby give notice that our condensed interim consolidated financial statements for the three months ended March 31, 2024, which follow this notice, have not been reviewed by an auditor.

Organto Foods Inc.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited – expressed in Canadian Dollars)

Assets	March 31, 2024 ($)	December 31, 2023 ($)
Current assets		
Cash	272,428	186,295
Restricted cash (note 3)	69,172	69,187
Receivables (notes 4 and 18)	2,135,498	2,363,502
Inventories (note 5)	985,991	1,204,468
Prepaid expenses	112,282	104,915
Grower advances (notes 6 and 18)	543,899	544,011
Investment securities (note 8)	6,070	8,750
	4,125,340	4,481,128
Non-current assets		
Operating lease right-of-use assets (note 12)	771,235	841,575
Deposits (note 12)	34,093	34,100
Intangible assets (note 9)	619,501	660,801
Goodwill (note 9)	898,828	898,828
	6,448,997	**6,916,432**
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (notes 11, 13, 14 and 18)	9,324,645	8,477,036
Factored accounts receivable liability (note 4)	476,764	918,551
Short-term loans (note 11)	1,233,084	463,105
Government loans and grants (note 10)	-	60,000
Derivative liabilities (note 7)	78,032	400,653
Operating leases (note 12)	224,543	252,638
Convertible debentures (note 13)	10,738,850	10,167,674
	22,075,918	20,739,657
Non-current liabilities		
Convertible debentures (note 13)	-	482,890
Operating leases (note 12)	580,419	611,813
Other liabilities (note 14)	343,578	345,841
Deferred income taxes (note 9)	272,400	272,400
Total liabilities	**23,272,315**	**22,452,601**
Shareholders' equity (deficit)		
Share capital (note 15(a))	35,251,632	35,251,632
Shares to be issued (note 15(b))	134,120	-
Reserves (note 15(f))	8,103,150	8,032,465
Deficit	(60,312,220)	(58,820,266)
Total shareholders' equity (deficit)	**(16,823,318)**	**(15,536,169)**
	6,448,997	**6,916,432**

Nature of operations and going concern (note 1)
Commitments (note 21)
Subsequent events (note 22)

Approved on behalf of the Board of Directors:

"Steve Bromley", Director *"Joe Riz"*, Director

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

(Unaudited – expressed in Canadian Dollars)

	Three months ended March 31	
	2024 ($)	**2023 ($)**
Sales (notes 18 and 20)	6,667,158	7,503,529
Cost of sales (notes 5, 16 and 18)	(6,527,000)	(6,772,285)
Gross profit	140,158	731,244
Selling, general and administration expenses (notes 17 and 18)	(576,261)	(813,949)
Management fees (note 18)	(149,706)	(250,070)
Labour costs and benefits (note 18)	(695,262)	(1,032,293)
Stock-based compensation (notes 15(c), 15(d) and 18)	(79,002)	(185,452)
	(1,360,073)	(1,550,520)
Interest expense and accretion, net (note 13)	(416,940)	(347,201)
Realized gain on sale of investment securities (note 8)	7,855	-
Unrealized gain on investment securities (note 8)	2,719	27,463
Realized gain (loss) on derivative assets (note 7)	(93,236)	5,383
Unrealized gain (loss) on revaluation of derivative assets (note 7)	322,165	(146,614)
Loss on settlement of debt	-	(5,578)
Foreign exchange gain (loss)	45,556	(30,709)
Net loss for the period	(1,491,954)	(2,047,776)
Other comprehensive gain (loss) for the period:		
Foreign currency translation	(8,317)	7,491
Comprehensive loss for the period	**(1,500,271)**	**(2,040,285)**
Loss per share:		
Basic and diluted	(0.05)	(0.07)
Shares used in computing loss per share:		
Basic and diluted	28,568,382	28,480,883

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited – expressed in Canadian Dollars)

	Three months ended March 31 2024 ($)	Three months ended March 31 2023 ($)
Operating activities		
Net loss for the period	(1,491,954)	(2,047,776)
Add back:		
Items not involving cash (note 19)	276,841	745,305
	(1,215,113)	(1,302,471)
Changes in non-cash working capital (note 19)	567,254	(1,282,969)
Changes in restricted cash	-	(113,902)
Cash used in operating activities	(647,859)	(2,699,342)
Investing activities		
Software development costs	-	(19,552)
Interest received	304	12,010
Proceeds from sale of investment securities	13,255	-
Cash paid to purchase New Fruit Group	-	(361,425)
Cash acquired on purchase of New Fruit Group	-	40,375
Cash provided by (used in) investing activities	13,559	(328,592)
Financing activities		
Proceeds from convertible debentures, net of issue costs	-	1,001,020
Repayments of convertible debentures	-	(1,448,000)
Proceeds from exercise of stock options	-	70,000
Share subscriptions received in advance	134,120	-
Proceeds from short-term loans	696,938	-
Interest paid	(30,251)	(284,099)
Interest portion of lease payments	(26,781)	(10,779)
Principal portion of lease payments	(59,232)	(28,120)
Cash provided by (used in) financing activities	714,794	(699,978)
Effect of foreign exchange on cash	5,639	3,916
Increase (decrease) in cash	86,133	(3,723,996)
Cash, beginning of period	186,295	5,769,979
Cash, end of period	**272,428**	**2,045,983**

Supplemental cash flow information (note 19)

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the Three Months Ended March 31, 2024 and 2023
(Unaudited – expressed in Canadian Dollars)

	Number of shares	Share capital ($)	Shares to be issued (cancelled) ($)	Reserves ($)	Deficit ($)	Total ($)
Balance at January 1, 2023	28,223,383	34,842,972	-	7,394,988	(45,393,045)	(3,155,085)
Shares issued on exercise of stock options	100,000	119,000	-	(49,000)	-	70,000
Shares to be issued for New Fruit Group	-	-	240,660	-	-	240,660
Convertible debenture offering:						
Conversion option	-	-	-	72,764	-	72,764
Warrants issued	-	-	-	6,145	-	6,145
Stock-based compensation	-	-	-	185,452	-	185,452
Comprehensive loss for the period	-	-	-	7,491	(2,047,776)	(2,040,285)
Balance at March 31, 2023	**28,323,383**	**34,961,972**	**240,660**	**7,617,840**	**(47,440,821)**	**(4,620,349)**
Balance at January 1, 2024	28,568,382	35,251,632	-	8,032,465	(58,820,266)	(15,536,169)
Stock-based compensation	-	-	-	79,002	-	79,002
Share subscriptions received in advance	-	-	134,120	-	-	134,120
Comprehensive loss for the period	-	-	-	(8,317)	(1,491,954)	(1,500,271)
Balance at March 31, 2024	**28,568,382**	**35,251,632**	**134,120**	**8,103,150**	**(60,312,220)**	**(16,823,318)**

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

1. Nature of operations and going concern

Organto Foods Inc. ("Organto" or "the Company") is engaged in the sourcing, processing, packaging, distribution and marketing of fresh healthy and organic fruit and vegetable products. The Company employs an integrated business model to provide a year-round supply of a number of organic and specialty fruit and vegetable products sourced from a global supply base and currently marketed to customers primarily in a variety of European countries. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSXV") under the stock symbol "OGO", on the OTCQB under the stock symbol "OGOFF" and on the Frankfurt Stock Exchange under the stock symbol "OGF". The Company's head office and principal address is located at 410 – 1111 Melville St., Vancouver, BC, V6E 3V6, Canada.

Economic sanctions implemented in 2022 by the European Union and other countries in response to the Russia/Ukraine conflict initially had an economic impact on the Company including lost sales and supply dislocation as product normally destined for Russian markets by international suppliers was diverted to alternate markets. Since early 2023, the Company no longer sells to customers in Russia and is not directly affected economically by the Russia/Ukraine conflict.

The Company continues to monitor the Israeli-Palestinian conflict. To date, while deliveries of herbs and other vegetable products from suppliers in Israel have been impacted, the conflict has not materially affected the Company's sales.

These condensed interim consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. For the three months ended March 31, 2024 the Company incurred a loss of $1,491,954 (March 31, 2023 - $2,047,776). The operations of the Company have historically been funded by the issuance of share capital, bank loans, short-term loans and convertible loans. At March 31, 2024, the Company had a working capital deficit of $17,950,578 (December 31, 2023 - $16,258,529) and had an accumulated deficit of $60,312,220 (December 31, 2023 - $58,820,266). Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing as needed, continued financial support from related parties, and ultimately on generating future profitable operations. The factors described indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for these condensed interim consolidated financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the condensed interim consolidated statement of financial position classifications used. Such adjustments could be material.

2. Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements for the year ending December 31, 2023.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on October 24, 2024.

3. Restricted cash

Restricted cash at March 31, 2024 consists of deposits held by the European financial services company which provides the Company's hedging facility (note 7). Under the terms of the hedging facility, cash deposits are required to provide collateral to maintain margin requirements if the market value of the forward currency contracts exceeds a certain negative value. The deposits are either returned in full if the market value of the forward currency contracts turns positive or on a pro-rata basis when drawing down the contracts.

4. Receivables

	March 31, 2024 ($)	December 31, 2023 ($)
Trade accounts receivables	1,837,884	1,920,378
VAT recoverable	288,202	219,984
Other	9,412	223,140
	2,135,498	**2,363,502**

Three of the Company's European subsidiaries have established accounts receivable factoring facilities with European financial institutions for up to a total of €2.75 million and the Company was required to guarantee the European subsidiaries' obligations under these facilities. Trade accounts receivable at March 31, 2024 included $476,764 of factored accounts ($918,551 at December 31, 2023) with corresponding amounts included in factored accounts receivable liability. Under the factoring facilities, the Company is required to maintain credit insurance for those customers whose accounts are factored and has pledged any and all proceeds received under this insurance to the European financial institutions. Factored accounts receivable incur interest either at EURIBOR plus 2.25% or at the factoring company's base rate plus 1% which is 6.75% at March 31, 2024. The Company retains the credit risk associated with the factored receivables.

In 2021 and 2022, one of the Company's European subsidiaries filed VAT returns incorrectly and, as a result, the tax authorities assessed the Company €1,047,666 for unremitted VAT. The subsidiary has filed updated returns correcting these errors and has received confirmation that €585,073 of the claim has been corrected with the remaining balance expected to be corrected in the same manner by the tax authority. Until rectified, the tax authorities continue to believe their claim for unpaid taxes of €462,593 from the subsidiary is valid. The Company believes the outcome will be satisfactorily resolved with no amounts owing related to the error in the VAT returns and accordingly no amount has been recorded as a liability with respect to this matter.

5. Inventories

	Fruit and vegetables ($)
Balance, January 1, 2023	**235,418**
Purchases	23,677,052
Obtained as part of New Fruit Group acquisition	389,931
Expensed as cost of sales (note 16)	(23,097,933)
Balance, December 31, 2023	**1,204,468**
Purchases	6,048,614
Expensed as cost of sales (note 16)	(6,267,091)
Balance, March 31, 2024	**985,991**

6. Grower advances

Periodic advances are made to third-party growers for shipments of product prior to shipping and for various farming needs and are secured with crop harvests, property or other collateral owned by the growers. Grower advances are recorded at the gross amount of the advance amount less any allowances for potentially unrecoverable balances and if advances are to be recovered after one year they are discounted at a market interest rate and are classified based on their expected repayment dates with any advances not expected to be repaid within the next twelve months reported as long-term. Grower advances are denominated in foreign currencies and restated in Canadian dollars each period end, with any translation gains or losses recorded in the current period's condensed interim consolidated statement of comprehensive loss. Grower advances are reviewed on a regular basis to determine their recoverability and in the event that the timing of the recoverability of the advance can not be accurately determined, an impairment charge is recognized and expensed in the consolidated statement of comprehensive loss.

(Unaudited – expressed in Canadian Dollars)

	March 31, 2024 ($)	December 31, 2023 ($)
Advances expected to be recovered within the next twelve months	543,899	544,011
Advances with an expected recovery date later than twelve months	-	-
	543,899	**544,011**

Short-term grower advances at March 31, 2024 and December 31, 2023 consisted entirely of a receivable from a related party (note 18). The related party has provided amounts due for services provided, convertible debentures and common shares as collateral against the advances. See note 22.

7. Derivative assets and liabilities

Two of the Company's European subsidiaries have established hedging facilities with European financial services companies in order to hedge their exposure to fluctuations in the US dollar vs Euro exchange rate. The facilities are all for forward currency exchange contracts up to a total maximum of US$15.8 million. The Company has guaranteed the European subsidiaries' obligations under these facilities.

If exercised at March 31, 2024 the net forward currency exchange contracts would have required the Company to purchase US dollars for more than by acquiring them on the spot market, and a derivative liability was recognized. The carrying value of the derivative liabilities of $78,032 (December 31, 2023 – $400,653) represents the difference between the cost to acquire US dollars on the spot market and through the forward currency exchange contracts. The gain on the valuation of these derivative assets at March 31, 2024 has been recorded as an unrealized gain of $322,165 and is included in the consolidated statement of comprehensive loss. At March 31, 2023 the difference between spot and contracted rates resulted in a derivative liability of $108,902 and the Company recorded an unrealized gain of $5,383.

During the three months ended March 31, 2024 the Company's European subsidiaries purchased US dollars utilizing their forward currency exchange facilities. The difference between the cost to acquire the US dollars through the forward currency exchange contracts and the spot market at the time of purchase has been recorded as a realized loss of $93,236 and is included in the current quarter's condensed interim consolidated statement of comprehensive loss. During the three months ended March 31, 2023 the difference between spot and contracted rates at the time of purchase resulted in a realized gain of $5,383.

8. Investment securities

At March 31, 2024, the market value of the 43,355 Xebra Brands Inc. shares held by the Company was $6,070 (December 31, 2023 – $8,750 – 588,355 shares). During the first quarter of 2024, the Company sold 540,000 of these shares and realized a gain of $7,855. Each period end the Company revalues their carrying value to reflect their market value and in the first quarter of 2024 recognized an unrealized revaluation gain of $2,719 (2023 – $27,463). Subsequent to March 31, 2024 the Company sold 43,355 shares and realized a gain of $964.

9. Intangible assets

Intangible assets include the trade name and client relationships acquired in 2023 when the Company purchased 100% of the outstanding shares of NFG New Fruit Group GmbH ("New Fruit Group"). The amortization of trade names and customer and supplier relationships is included in selling, general and administrative expenses on the consolidated statement of comprehensive loss.
Intangible assets also included the cost of externally acquired and developed software used in the design and implementation of new reporting software for the Company's European subsidiaries. Due to difficulties experienced while developing this reporting

(Unaudited – expressed in Canadian Dollars)

software, development and implementation plans were cancelled in 2023 and the previously capitalized development costs were impaired.

	Intangible assets				
	Trade names ($)	Customer and supplier lists ($)	Software ($)	Total ($)	Goodwill ($)
Cost					
Balance, January 1, 2023	25,877	573,777	118,355	718,009	-
Additions	-	826,001	19,552	845,553	898,828
Impairment	-	(376,901)	(156,214)	(533,115)	-
Foreign exchange	-	-	18,307	18,307	-
At December 31, 2023	**25,877**	**1,022,877**	**-**	**1,048,754**	**898,828**
Accumulated amortization					
Balance, January 1, 2023	(25,877)	(141,794)	-	(167,671)	-
Amortization	-	(220,282)	-	(220,282)	-
At December 31, 2023	**(25,877)**	**(362,076)**	**-**	**(387,953)**	**-**
Net carrying value at December 31, 2023	**-**	**660,801**	**-**	**660,801**	**898,828**
Cost					
Balance, January 1, 2024	-	660,801	-	660,801	898,828
At March 31, 2024	**-**	**660,801**	**-**	**660,801**	**898,828**
Accumulated amortization					
Balance, January 1, 2023	-	(362,076)	-	(362,076)	-
Amortization	-	(41,300)	-	(41,300)	-
At March 31, 2024	**-**	**(403,376)**	**-**	**(403,376)**	**-**
Net carrying value at March 31, 2024	**-**	**619,501**	**-**	**619,501**	**898,828**

The intangible assets acquired in the New Fruit Group acquisition are not deductible for income tax purposes and deferred income taxes of $89,000 have been recognized and added to the goodwill's carrying value.

10. Government loans and grants

The Company received proceeds of $40,000 in September 2020 and an additional $20,000 in December 2020 under the Canada Emergency Business Account ("CEBA") program. The loan was a 0% interest bearing loan with no principal payments required. The loan could be repaid at any time and $20,000 of the loan would be forgiven if repaid in full before December 31, 2023. The Company did not repay the loan and the loan began bearing interest at 5% per annum beginning January 19, 2024 and has a maturity date of December 31, 2026. The loan is classified as short-term as the Company plans to repay the loan prior to March 31, 2025 and is included in short-term loans on the condensed interim consolidated statement of financial position.

11. Short-term loans

During the year ended December 31, 2023 the Company received US$325,000 from a director and $33,000 from an officer of the Company in interest-bearing loans. During the first quarter of 2024 the same director provided an additional US$30,000 and other shareholders provided US$142,143 and $465,000 in interest bearing loans. These loans are unsecured and bear interest at 12% per annum and have a term of one year, at which time principal and interest become payable. Accrued interest on these loans is included in accounts payable and accrued liabilities.

(Unaudited – expressed in Canadian Dollars)

Part of the consideration paid to acquire New Fruit Group was the issuance of a promissory note by the Company to the former shareholders of New Fruit Group. The promissory note bears interest at 2% and is for €158,956 with payments due in 2024 and 2025. The fair value of the promissory note was calculated by discounting the future payments and will be accreted to its face value over its three-year term.

	($)
Balance, January 1, 2023	-
Proceeds	471,110
Foreign exchange	(8,005)
Balance, December 31, 2023	**463,105**
Proceeds	696,938
Conversion of government grant to short-term loan (note 10)	60,000
Short-term portion of New Fruit Group promissory note (note 14)	17,165
Foreign exchange	(4,124)
Balance, March 31, 2024	**1,233,084**

See note 22.

12. Operating Leases

The Company's European subsidiaries lease warehouse and office facilities. The warehouse lease has a term ending December 2024 at a monthly cost of €8,820 and the office lease has a term ending September 2028 at a monthly cost of €10,800 with annual inflation increases beginning after one year. The office lease is with a related party (note 18). At the commencement of each lease, the Company recognized a right-of-use asset and a lease liability.

The right-of-use assets are measured at cost and are amortized on a straight-line basis over their lease term. The lease liabilities are valued at their discounted net present value of the lease payments unpaid at that date using incremental borrowing rates of 16.5% and 12%. Over the term of the leases, the liabilities will be increased for interest and reduced for payments made.

A summary of the right-of-use assets is as follows:

	($)
Balance at January 1, 2023	-
New leases entered into	993,805
Lease amortization expense	(168,431)
Foreign exchange	16,201
Balance at December 31, 2023	**841,575**
Lease amortization expense	(70,086)
Foreign exchange	(254)
Balance at March 31, 2024	**771,235**

(Unaudited – expressed in Canadian Dollars)

A summary of the lease liabilities is as follows:

	($)
Balance at January 1, 2023	-
New leases entered into	993,805
Principal portion of lease payments	(145,624)
Foreign exchange	16,270
Balance at December 31, 2023	**864,451**
Principal portion of lease payments	(59,232)
Foreign exchange	(257)
Balance at March 31, 2024	**804,962**

Lease payments due within the next twelve months	224,543
Lease payments due later than twelve months	580,419
	804,962

Under the terms of the office lease, the Company paid a security deposit of €23,300.

13. Convertible debentures

December 2022 series

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

The debentures were convertible into shares of the Company at $3.00 per share and interest was not convertible. The holder could convert all or part of the debentures at any time and the Company could prepay all or part of the debentures at any time. The Company had the right to force conversion of the debentures any time after April 29, 2021 if the closing price of the Company's shares exceeded $4.50 or more for ten consecutive trading days.

Debentures with a face value of $522,000 were converted in 2021 resulting in the issuance of 173,400 common shares and debentures with a face value of $41,000 were prepaid in 2022.

On their maturity date of December 29, 2022, $1,655,850 were repaid by issuing new convertible debentures ("December 2024 series A" below). The remaining $1,138,000 of debentures were repaid in cash in January 2023.

January 2023 series

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

The debentures were convertible into shares of Organto at $3.00 per share and interest was not convertible. The holder could convert all or part of the debentures at any time and the Company could prepay all or part of the debentures at any time. The Company had the right to force conversion of the debentures any time after May 5, 2021 if the closing price of the Company's shares exceeded $4.50 or more for ten consecutive trading days.

These debentures were repaid in cash in January 2023.

December 2024 series A

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

The debentures are convertible into shares of Organto at $3.00 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after April 29, 2023, the closing price of the Company's shares exceeds $4.50 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures.

The issuance of this series of debentures was considered an extinguishment of the December 2022 series of debentures. As such, the fair value of both the debt component and the equity component of the debentures was calculated and the excess over face value, together with transaction costs of $66,894 was recorded as a loss on extinguishment of the December 2022 debentures of $96,467.

The Company initially recorded $1,483,600 as the fair value of the debt component of the debentures, and $201,823 as the fair value of the equity component of the debentures. The debt component of the debentures was being accreted to the face value of the loan over the two-year term.

The Company did not pay the interest due in December 2023 and has entered discussions with the holders of these debentures to partially convert the debentures into common shares and restructure the maturity and future interest payment dates (note 22). As a result, this series of debentures is classified as short-term and have been accreted to their face value with the increase reported in interest expense and accretion.

December 2024 series B

In March 2023 the Company completed an offering of convertible debentures with a total face value of $500,000. The debentures are unsecured and have a term expiring on December 29, 2024, the same expiry date as the December 2024 series A of debentures. The series B debentures bear interest at 10% annually, payable in arrears beginning one year after their date of issuance.

The debentures are convertible into shares of Organto at $3.00 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after July 29, 2023, the closing price of the Company's shares exceeds $4.50 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures.

The Company initially recorded $465,000 as the fair value of the debt component of the debentures, with the residual amount of $35,000 allocated to the equity component of the debentures. The debt component of the debentures was being accreted to the face value of the loan over the twenty-one month term. A total of $30,000 in transaction costs was allocated to the liability and the equity components of the debentures.

The Company did not pay the interest due in March 2024 and has entered discussions with the holders of these debentures to partially convert the debentures into common shares and restructure the maturity and future interest payment dates (note 22). As a result, this series of debentures is classified as short-term and have been accreted to their face value with the increase reported in interest expense and accretion.

February 2025 series

In February 2023 the Company completed an offering of convertible debentures with a total face value of $295,000. The debentures are unsecured and have a term of two years and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance.

The debentures are convertible into shares of Organto at $3.00 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after June 28, 2023, the closing price of the Company's shares exceeds $4.50 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures.

The Company recorded $271,105 as the fair value of the debt component of the debentures, with the residual amount of $23,895 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two-year term.

Transaction costs totaled $21,417 and included $17,700 in cash and 5,900 warrants with each warrant entitling the holder to purchase one common share at a price of $3.00 for a period of two years. These finder warrants have a total fair value of $3,717 determined using the Black-Scholes Option Pricing Model (note 15(e)). These transaction costs were allocated to the liability and the equity components of the debentures.

The Company did not pay the interest due in February 2025 and has entered discussions with the holders of these debentures to partially convert the debentures into common shares and restructure the maturity and future interest payment dates (note 22). As a result, this series of debentures is classified as short-term and have been accreted to their face value with the increase reported in interest expense and accretion.

<u>March 2025 series</u>

In March 2023 the Company completed an offering of convertible debentures with a total face value of $238,000. The debentures are unsecured and have a term of two years and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance.

The debentures are convertible into shares of Organto at $3.00 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after July 28, 2023, the closing price of the Company's shares exceeds $4.50 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures.

The Company recorded $218,960 as the fair value of the debt component of the debentures, with the residual amount of $19,040 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two-year term.

Transaction costs totaled $16,708 and included $14,280 in cash and 4,760 warrants with each warrant entitling the holder to purchase one common share at a price of $3.00 for a period of two years. These finder warrants have a total fair value of $2,428 determined using the Black-Scholes Option Pricing Model (note 15(e)). These transaction costs were allocated to the liability and the equity components of the debentures.

The Company did not pay the interest due in March 2025 and has entered discussions with the holders of these debentures to partially convert the debentures into common shares and restructure the maturity and future interest payment dates (note 22). As a result, this series of debentures is classified as short-term and have been accreted to their face value with the increase reported in interest expense and accretion.

<u>November 2026 series</u>

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

The debentures are convertible into shares of Organto at $5.00 per share and interest is not convertible. The holder may convert all or part of the debentures at any time after November 30, 2023. If, at any time after November 30, 2023, the 20-day volume weighted average trading price of the Company's shares on the TSXV exceeds $6.25, the Company has the right to force conversion of the debentures. The Company may repay all or a portion of the convertible debentures by issuing common shares worth $1,053 based on their current market price for each $1,000 face value of convertible debentures. The Company may also pay all or a portion of the interest payable by issuing common shares to the debenture trustee who shall sell the common shares and use the proceeds to pay the interest due to debenture holders.

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

(Unaudited – expressed in Canadian Dollars)

Transaction costs of $956,627 were paid in cash including $126,084 in finder's fees. Finder's fees totaled $483,000 and included 96,600 warrants with each warrant entitling the holder to purchase one common share at a price of $5.00 for a period of two years. A total of $1,215,515 in transaction costs was allocated to the liability and the equity components of the debentures.

The Company did not pay the interest due in November 2023 and has entered discussions with the holders of these debentures to partially convert the debentures into common shares and restructure the maturity and future interest payment dates (note 22). As a result, this series of debentures is classified as short-term and have been accreted to their face value with the increase reported in interest expense and accretion.

A summary of the convertible debentures is as follows:

	($)
Balance at January 1, 2023	8,679,342
Issued for cash	1,033,000
Allocated to equity component	(77,935)
Transaction costs allocated to debt component	(62,953)
Accretion	2,527,110
Repaid in cash	(1,448,000)
Balance at December 31, 2023	**10,650,564**
Accretion	88,286
Balance at March 31, 2024	**10,738,850**

	March 31, 2024 ($)	**December 31, 2023 ($)**
Convertible debentures by maturity:		
Debentures subject to restructuring	10,738,850	10,167,674
Maturing in more than one year	-	482,890
	10,738,850	**10,650,564**

Accrued interest on all outstanding debentures totals $1,176,815 and is recorded in accounts payable and accrued liabilities at March 31, 2024 (December 31, 2023 – $949,219).

14. Other liabilities

Other liabilities are comprised of:

	March 31, 2024 ($)	**December 31, 2023 ($)**
Earnouts payable (note 9)	188,483	178,389
Promissory note (note 9)	155,095	167,452
	343,578	**345,841**

As part of the consideration paid for the acquisition of New Fruit Group, the Company entered into an agreement with the former managers who continue to manage New Fruit Group whereby if certain growth targets are achieved in the three years after acquisition, up to €650,000 could be payable. The fair value of the earnout liability was calculated by discounting the expected future payments and will be accreted to their face value over their term or until fully paid. The portion of the earnout expected to be paid within one year is $40,262 and is recorded in accounts payable and accrued liabilities. The balance of the earnout expected to be paid is recorded as a long-term liability. The long-term portion of the earnout liability will be accreted to the amounts expected to be paid over the next three years.

(Unaudited – expressed in Canadian Dollars)

Part of the consideration paid to acquire New Fruit Group was the issuance of a promissory note by the Company to the former shareholders of New Fruit Group. The promissory note bears interest at 2% and is for €146,446 with payments due in 2025 and 2026. The fair value of the promissory note was calculated by discounting the future payments and will be accreted to its face value over its three-year term. That portion of the promissory note due in 2025 is recorded in accounts payable and accrued liabilities.

15. Share capital

On September 29, 2023 the Company consolidated its shares on a one for ten basis. All references to the number of shares, share options and warrants herein have been restated to show their consolidated amounts.

(a) Common shares

The Company is authorized to issue an unlimited number of common shares without par value. At March 31, 2024 the Company had 28,568,382 (December 31, 2023 – 28,568,382) common shares issued and outstanding.

(b) Shares to be issued

The Company received $134,120 in February 2024 in advance of a private placement planned for the fourth quarter of 2024. See note 22.

(c) Share options

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

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

	Total options		**Exercisable options**	
	Total options	**Weighted average exercise price ($)**	**Exercisable options**	**Weighted average exercise price ($)**
Balance, January 1, 2023	1,993,500	2.03	1,407,500	1.71
Granted	165,000	1.12	33,000	1.17
Vested	-	-	246,100	2.60
Exercised	(100,000)	0.70	(100,000)	0.70
Forfeited	(35,300)	2.12	-	-
Expired	(336,200)	1.43	(336,200)	1.43
Balance at December 31, 2023	**1,687,000**	**2.15**	**1,250,400**	**2.03**
Vested	-	-	17,000	2.63
Expired	(11,000)	1.72	(11,000)	1.73
Balance at March 31, 2024	**1,676,000**	**2.15**	**1,256,400**	**2.04**

(Unaudited – expressed in Canadian Dollars)

A summary of the Company's share options outstanding and exercisable at March 31, 2024 is as follows:

Exercise price ($)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.50	4.58	25,000	5,000
0.70	0.73	300,000	292,000
0.80	0.18	6,000	6,000
1.00	1.41	268,000	240,400
1.35	4.17	100,000	20,000
1.80	1.68	30,000	30,000
1.90	3.98	30,000	12,000
2.10	3.73	130,000	97,500
2.65	1.73	159,500	133,000
2.85	1.82	70,000	62,000
3.00	2.71	167,500	100,500
3.50	2.83	15,000	9,000
3.70	2.65	330,000	210,000
4.20	1.91	30,000	30,000
4.30	2.39	15,000	9,000
	2.18	**1,676,000**	**1,256,400**

The Company recognizes stock-based compensation over the vesting period of the underlying options using the Black-Scholes Option Pricing Model for those options with set vesting dates and the Binomial Method for those options which vest based on market conditions. Option pricing methods require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period.

The Company recorded a stock-based compensation expense relating to options that vested in the first quarter of 2024 of $55,877 (2023 – $123,161).

(d) Restricted share units

The Company has adopted a restricted share unit ("RSU") plan to issue RSUs whereby the total aggregate RSUs and share options outstanding may be up to 10% of its issued capital at the time of an applicable option grant. Under the RSU plan, the Company's Board of Directors may from time to time, grant RSUs to directors, officers, employees or consultants. The vesting terms of an RSU are at the discretion of the Board of Directors. The option to settle the RSUs in cash or in shares is also at the option of the Board of Directors.

At March 31, 2024 a total of 310,000 RSUs were outstanding, of which 195,000 had vested. No vested RSUs were paid in the three months ended March 31, 2024 and 2023.

The Company recorded a stock-based compensation expense relating to restricted share units that vested in the first quarter of 2024 of $23,125 (2023 – $62,291).

(e) Warrants

In December 2022 the Company issued 18,428 warrants in connection with the convertible debentures issued in December 2022. These warrants are exercisable for a period of two years at an exercise price of $3.00 per share. The fair value of these warrants of $11,610 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 109%, risk free interest rate of 4.03%, expected life of 2 years and no dividend yield. The value of these warrants was classified as a transaction cost for the debentures and recorded in that period's loss on extinguishment of debentures.

(Unaudited – expressed in Canadian Dollars)

The Company issued 10,660 warrants in connection with the convertible debentures issued in February and March 2023. These warrants are exercisable for a period of two years at an exercise price of $3.00 per share. The fair value of these warrants of $6,145 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 109%, risk free interest rate of 4.03%, expected life of 2 years and no dividend yield. The value of these warrants was classified as a transaction cost for the debentures and recorded as an offset to the convertible debentures balance to be amortized over the expected terms of the debentures.

Warrants outstanding and exercisable at March 31, 2024 are as follows:

Grant date	**Number of warrants**	**Exercise price ($)**	**Expiry Date**
December 2022	18,428	3.00	December 2024
February 2023	5,900	3.00	February 2025
March 2023	4,760	3.00	March 2025
	29,088	**3.00**	

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

	Number of warrants	**Weighted average exercise price ($)**
Balance at January 1, 2023	121,228	4.59
Issued	10,660	3.00
Expired	(102,800)	4.88
Balance at December 31, 2023	**29,088**	**3.00**
Balance at March 31, 2024	**29,088**	**3.00**

(f) Reserves

	Options and RSUs ($)	**Warrants ($)**	**Other reserves ($)**	**Cumulative translation ($)**	**Total ($)**
Balance, January 1, 2023	3,632,585	746,735	2,601,095	414,573	7,394,988
Stock-based compensation	657,123	-	-	-	657,123
Exercise of stock options	(49,000)	-	-	-	(49,000)
Exercise of restricted share units	(49,000)	-	-	-	(49,000)
Issue of convertible debentures	-	-	72,764	-	72,764
Fair value of warrants issued	-	6,145	-	-	6,145
Accumulated comprehensive loss	-	-	-	(555)	(555)
Balance at December 31, 2023	**4,191,708**	**752,880**	**2,673,859**	**414,018**	**8,032,465**
Stock-based compensation	79,002	-	-	-	79,002
Accumulated comprehensive loss	-	-	-	(8,317)	(8,317)
Balance at March 31, 2024	**4,270,710**	**752,880**	**2,673,859**	**405,501**	**8,103,150**

(Unaudited – expressed in Canadian Dollars)

16. Cost of sales

	Three months ended March 31 2024 ($)	Three months ended March 31 2023 ($)
Produce purchases (note 5)	5,308,355	6,196,844
Freight	798,638	291,453
Packaging and other	408,867	276,596
Amortization (note 9)	11,140	7,392
	6,527,000	**6,772,285**

17. Selling, general and administration expenses

	Three months ended March 31 2024 ($)	Three months ended March 31 2023 ($)
Administration and office	355,056	573,483
Professional fees	160,854	175,361
Amortization	100,247	62,338
Bad debt expense (recovery)	(39,896)	2,767
	576,261	**813,949**

18. Related party transactions

(a) Directors and key management personnel compensation:

	Three months ended March 31 2024 ($)	Three months ended March 31 2023 ($)
Salaries, consulting and management fees	149,706	248,270
Stock based compensation	66,473	150,278
	216,179	**398,547**

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the three-month periods ended March 31, 2024 and 2023.

(b) Transactions with related parties:

	Three months ended March 31 2024 ($)	Three months ended March 31 2023 ($)
Office lease payments	47,353	-
Administrative services	124,743	183,722

(Unaudited – expressed in Canadian Dollars)

(c) Outstanding balances payable (receivable):

	March 31, 2024 ($)	December 31, 2023 ($)
Salaries, consulting and management fees	339,721	310,147
Interest on convertible debentures	46,695	46,695
Administration services	173,787	117,345
Expense reimbursements	27,466	25,357
Security deposit on office lease (note 12)	34,093	34,100
Advances to suppliers (note 6)	(543,899)	(544,011)

19. Supplemental cash flow information

	Three months ended March 31 2024 ($)	2023 ($)
Items not involving cash:		
Amortization	111,386	69,730
Bad debt expense	20,709	2,767
Stock-based compensation	79,002	185,452
Interest expense and accretion	416,940	347,201
Foreign currency translation	(18,457)	15,426
Loss on settlement of debt	-	5,578
Realized gain on sale of investment securities	(7,855)	-
Unrealized loss (gain) on revaluation of investment securities	(2,719)	(27,463)
Unrealized loss (gain) on revaluation of derivatives	(322,165)	146,614
	276,841	**745,305**
Changes in non-cash working capital:		
Receivables	207,295	(1,689,397)
Inventories	218,477	(157,945)
Grower advances	-	(37,444)
Prepaid expenses	(7,367)	10,726
Accounts payable and accrued liabilities	590,636	1,178,600
Factored accounts receivable	(441,787)	(587,509)
	567,254	**(1,282,969)**

20. Segmented information

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

In the three months ended March 31, 2024, 78% of the Company's sales were to 5 customers with each customer accounting for at least 5% of total sales. In the three months ended March 31, 2023, 42% of the Company's sales were to 4 customers with each customer accounting for at least 5% of total sales.

(Unaudited – expressed in Canadian Dollars)

In the three months ended March 31, 2024, 78% of the Company's purchases were from 4 suppliers with each supplier accounting for at least 5% of total purchases. In the three months ended March 31, 2023, 37% of the Company's purchases were from 7 suppliers with each supplier accounting for at least 5% of total purchases.

Information by geographical areas is as follows:

	March 31, 2024 ($)	December 31, 2023 ($)
Non-current assets		
Netherlands	805,328	875,675
Germany	1,518,329	1,559,629
	2,323,657	**2,435,304**

21. Commitments

At March 31, 2024 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	242,542	-	-	242,542
Administration services	2,195	-	-	2,195
Labour and benefits	260,207	-	-	260,207
Property lease	346,397	607,445	157,257	1,111,100
Forward currency exchange contracts	4,719,329	-	-	4,719,329
	5,570,670	**607,445**	**157,257**	**6,335,373**

The Company's European subsidiaries have hedging facilities with European financial services companies in order to hedge their exposure to fluctuations in the US dollar vs Euro exchange rate. The facilities are for forward exchange contracts, up to a maximum of US$15.8 million. As part of these facilities, the Company was required to guarantee the subsidiaries' obligations under the facilities.

22. Subsequent events

Short-term loans

Subsequent to March 31, 2024 the Company received $1,233,027 in proceeds from short-term loans. The loans are unsecured and bear interest at 12% and have a term of one year, at which time principal and interest become payable. During the same period the Company repaid $774,710 of its short-term loans.

Private placements

In April 2024 the Company completed a private placement of 5,750,000 common shares at a price of $0.10 per share for proceeds of $575,000 with one director of the Company having purchased 5,150,000 common shares. No finder's fees were paid and the common shares are subject to a four month hold period that expires in August 2024. The proceeds were used to repay several of the short-term loans and for working capital.

The Company received US$100,000 in February 2024, $468,000 in September 2024 and US$200,000 in October 2024 in advance of a private placement planned for the fourth quarter of 2024.

Convertible debentures

The Company did not pay the interest amounts due between December 2023 and March 2024 on all series of its outstanding convertible debentures.

In March 2024 the Company reached an agreement with the holders of the $8,050,000 November 2026 series of convertible debentures under which the holders will convert $4,025,000 of the principal amount of debentures into common shares at a price of $0.30 per common share. The maturity date of the remaining principal balance will be extended such that $2,012,500 will mature in November 2027 and $2,012,500 will mature in November 2028. The interest that was originally due to be paid in the fourth quarter of 2023 will be deferred such that $322,000 is payable in November 2027 and $322,000 is payable in November 2028. The interest rate remains unchanged at 8% as do the 2024, 2025 and 2026 scheduled interest payments. The conversion price has been changed to $0.60 per common share and the Company has the option to force conversion if the Company's common stock trades at $0.90 per share for at least 20 days.

In May 2024, holders of $97,500 of the December 2024 series A of convertible debentures agreed to redeem their debentures plus $9,750 of accrued interest and apply $107,250 against amounts they collectively owe the Company's European subsidiary.

The Company has approached the other holders of its December 2024 series A, December 2024 series B, February 2025 and March 2025 series of convertible debentures in an effort to restructure these debentures on terms similar to those agreed to by the holders of the November 2026 series of debentures. To date, holders of $1,006,350 of the total $2,591,350 of debentures have agreed and they will convert $503,175 of the principal amount of debentures into 1,677,250 common shares at a price of $0.30 per common share. The maturity date of the remaining principal balance will be extended such that $251,588 will mature in December 2025 and $251,587 will mature in December 2026. The interest that was originally due to be paid in the fourth quarter of 2023 will be deferred such that $50,318 is payable in December 2025 and $50,317 is payable in December 2026. The interest rate remains unchanged at 10%.

Wind-up of subsidiary

In April 2024 the Company wound up its Argentinian subsidiary.

Sale of subsidiaries

In June 2024 the Company sold three of its wholly owned Dutch operating subsidiaries to an independent third-party purchaser ("Purchaser"), as part of the Company's efforts to reposition its business and strengthen its balance sheet. The subsidiaries sold ("Sale Subsidiaries") are: Organto Europe BV, Fresh Organic Choice BV; and BeeOrganic BV. The Purchaser will acquire all the outstanding shares in the capital of each of the Sale Subsidiaries for Euro 1 and assume all of the Sale Subsidiaries' assets and liabilities. The Company will continue operations and NFG New Fruit Group GmbH will become the Company's key operating entity focusing on organic and non-GMO bananas, avocados, ginger and mangos.

Stock options

Subsequent to March 31, 2024 a total of 6,000 stock options expired unexercised and 260,000 were forfeited.

Hedging facility

In October 2024 one of the Company's European subsidiaries established a hedging facility with a European bank in order to partially hedge its exposure to fluctuations in the US dollar vs Euro exchange rate. The facility is for US$2.8 million of forward exchange contracts and expires in April 2025. As part of this facility, the subsidiary is required to deposit US$70,000 with the bank in order to provide collateral to maintain margin requirements. The deposit will be returned on a pro-rata basis when drawing down the contracts. The Company was not required to guarantee the subsidiary's obligation under this facility.