

ORGANTO FOODS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**For the Six Months Ended
June 30, 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 six months ended June 30, 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)

	June 30, 2024	December 31, 2023
	(\$)	(\$)
Assets		
Current assets		
Cash	119,455	186,295
Restricted cash (note 4)	-	69,187
Receivables (notes 5 and 20)	1,040,827	2,363,502
Inventories (note 6)	798,766	1,204,468
Prepaid expenses	75,712	104,915
Grower advances (notes 7 and 20)	-	544,011
Investment securities (note 9)	4,336	8,750
	2,039,096	4,481,128
Non-current assets		
Operating lease right-of-use assets (note 13)	-	841,575
Deposits (note 13)	-	34,100
Intangible assets (note 10)	578,201	660,801
Goodwill (note 10)	898,828	898,828
	3,516,125	6,916,432
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (notes 12, 14, 15 and 20)	4,493,938	8,477,036
Factored accounts receivable liability (note 5)	-	918,551
Short-term loans (note 12)	1,287,855	463,105
Government loans and grants (notes 11 and 12)	-	60,000
Derivative liabilities (note 8)	-	400,653
Operating leases (note 13)	-	252,638
Convertible debentures (note 14)	10,641,350	10,167,674
	16,423,143	20,739,657
Non-current liabilities		
Convertible debentures (note 14)	-	482,890
Operating leases (note 13)	-	611,813
Other liabilities (note 15)	358,919	345,841
Deferred income taxes (note 10)	272,400	272,400
	17,054,462	22,452,601
Shareholders' equity (deficit)		
Share capital (note 16(a))	35,826,632	35,251,632
Shares to be issued (note 16(b))	134,120	-
Reserves (note 16(f))	8,739,316	8,032,465
Deficit	(58,238,405)	(58,820,266)
	(13,538,337)	(15,536,169)
	3,516,125	6,916,432

Nature of operations and going concern (note 1)

Commitments (note 23)

Subsequent events (note 24)

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.

Organto Foods Inc.

Condensed Interim Consolidated Statements of Comprehensive Income and Loss

(Unaudited – expressed in Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2024 (\$)	2023 (\$)	2024 (\$)	2023 (\$)
Sales (notes 20 and 22)	4,406,214	3,546,203	9,047,115	7,346,120
Cost of sales (notes 6, 18 and 20)	(4,125,887)	(3,262,029)	(8,487,058)	(6,700,560)
Gross profit	280,327	284,174	560,057	645,560
Selling, general and administration expenses (notes 19 and 20)	(198,281)	(309,374)	(434,446)	(582,086)
Management fees (note 20)	(87,032)	(121,166)	(180,945)	(272,310)
Labour costs and benefits (note 20)	(276,270)	(125,676)	(434,297)	(127,675)
Stock-based compensation (notes 16(c), 16(d) and 20)	(70,185)	(185,926)	(149,187)	(371,378)
	(351,441)	(457,968)	(638,818)	(707,889)
Interest expense and accretion, net (note 14)	(270,968)	(385,622)	(625,974)	(696,530)
Realized gain on sale of investment securities (note 9)	-	-	7,855	-
Unrealized gain (loss) on investment securities (note 9)	(1,734)	(81,019)	985	(53,556)
Realized gain (loss) on derivative assets (note 9)	(23,725)	(49,010)	(86,196)	(68,363)
Unrealized gain (loss) on revaluation of derivative liabilities (note 8)	32,115	(57,132)	274,707	(103,764)
Foreign exchange gain (loss)	(26,211)	11,778	(22,871)	14,829
Gain on dissolution of subsidiary (note 17)	378,629	-	378,629	-
Gain on sale of subsidiaries (note 3)	2,688,166	-	2,688,166	-
Income (loss) from continuing operations	2,424,831	(1,018,973)	1,976,483	(1,615,273)
Loss from discontinued operations (note 3)	(348,362)	(1,277,955)	(1,394,622)	(2,715,697)
Net income (loss) for the period	2,076,469	(2,296,928)	581,861	(4,330,970)
Other comprehensive gain (loss) for the period:				
Foreign currency translation	24,794	(2,600)	19,131	(8,843)
Comprehensive loss for the period	2,101,263	(2,299,528)	600,992	(4,339,813)
Basic income (loss) per share:				
Continuing operations	0.07	(0.04)	0.06	(0.06)
Discontinued operations	(0.01)	(0.05)	(0.05)	(0.10)
Diluted income per share:				
Continuing operations	0.07	(0.04)	0.06	(0.06)
Shares used in computing loss per share:				
Basic	33,307,393	28,548,383	30,937,887	28,450,349
Diluted	33,617,393	-	33,721,670	-

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)

	Six months ended June 30	
	2024	2023
	(\$)	(\$)
Operating activities		
Income (loss) from continuing operations	1,976,483	(1,615,273)
Add back:		
Items not involving cash (note 21)	(2,543,407)	1,717,763
	(566,924)	102,490
Changes in non-cash working capital (note 21)	995,856	(1,080,878)
Cash provided by (used in) continuing operations	428,932	(978,388)
Cash used in discontinued operations	(1,663,158)	(2,269,788)
Cash used by operating activities	(1,234,226)	(3,248,176)
Investing activities		
Interest received	311	16,834
Proceeds from sale of investment securities	13,255	-
Proceeds from sale of subsidiaries	1	-
Cash disposed of in sale of subsidiaries	(57,437)	-
Cash paid to purchase New Fruit Group	-	(361,425)
Cash acquired on purchase of New Fruit Group	-	40,375
Cash used by discontinued operations	-	(19,552)
Cash used in investing activities	(43,870)	(323,768)
Financing activities		
Proceeds from private placement of common shares	575,000	-
Share subscriptions received in advance	134,120	-
Proceeds from short-term loans	1,506,738	-
Repayment of short-term loans	(774,710)	-
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
Interest paid	(30,643)	(264,308)
Cash used by discontinued operations	(208,334)	(842,340)
Cash provided by (used in) financing activities	1,202,171	(1,483,628)
Effect of foreign exchange on cash	9,085	873
Increase (decrease) in cash	(66,840)	(5,054,699)
Cash, beginning of period	186,295	5,769,979
Cash, end of period	119,455	715,280

Supplemental cash flow information (note 21)

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 Six Months Ended June 30, 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
For New Fruit Group	225,000	240,660	-	-	-	240,660
Convertible debenture offering:						
Conversion option	-	-	-	72,764	-	72,764
Warrants issued	-	-	-	6,145	-	6,145
Stock-based compensation	-	-	-	371,378	-	371,378
Comprehensive loss for the period	-	-	-	(8,842)	(4,330,971)	(4,339,813)
Balance at June 30, 2023	28,548,383	35,202,632	-	7,787,433	(49,724,016)	(6,733,951)
Balance at January 1, 2024	28,568,382	35,251,632	-	8,032,465	(58,820,266)	(15,536,169)
Shares issued:						
Private placement of common shares	5,750,000	575,000	-	-	-	575,000
Share subscriptions received in advance	-	-	134,120	-	-	134,120
Stock-based compensation	-	-	-	149,187	-	149,187
Comprehensive income for the period	-	-	-	557,664	581,861	1,139,525
Balance at June 30, 2024	34,318,382	35,826,632	134,120	8,739,316	(58,238,405)	(13,538,337)

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

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2024 and 2023

(Unaudited – expressed in Canadian Dollars)

1. Nature of operations and going concern

Organto Foods Inc. (“Organto” or “the Company”) is engaged in the sourcing, processing, packaging, distribution and marketing of fresh 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 six months ended June 30, 2024 the Company earned income of \$581,861 (June 30, 2023 – loss of \$4,330,971). The operations of the Company have historically been funded by the issuance of share capital, bank loans, short-term loans and convertible loans. At June 30, 2024, the Company had a working capital deficit of \$14,384,047 (December 31, 2023 - \$16,258,529) and had an accumulated deficit of \$58,238,405 (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 November 11, 2024.

3. Discontinued operations

In June 2024 the Company completed the sale of three of its wholly owned Dutch operating subsidiaries: Organto Europe BV; Fresh Organic Choice BV; and BeeOrganic BV (the “sale subsidiaries”). The independent third-party purchaser acquired 100% of the outstanding shares of each the sale subsidiaries for Euro 1 and assumed all of the sale subsidiaries’ assets and liabilities, which represented a net liability position of \$3,740,709. The sales subsidiaries had historically been key sales contributors, but experienced significant declines prior to their sale due to a combination of inadequate working capital to finance operations and lost business due to competitive pressures. An independent financial advisory firm was engaged to complete an independent valuation and fairness opinion for the proposed transaction. The valuation methodology valued each of the three sale subsidiaries on a stand-alone basis and not as a group, using two valuation methods (the discounted cash flow method and the guideline public company method) and then ultimately determined a value range for each business based on a weighting of these two methods.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2024 and 2023

(Unaudited – expressed in Canadian Dollars)

The valuation concluded that the assumption of all liabilities of the sale subsidiaries by the purchaser represented fair proceeds to the Company.

	Three months ended		Six months ended	
	June 30		June 30	
	2024	2023	2024	2023
	(\$)	(\$)	(\$)	(\$)
Proceeds	1	-	1	-
Assets disposed of	(1,978,950)	-	(1,978,950)	-
Liabilities assumed by purchaser	5,719,659	-	5,719,659	-
Legal and other transaction costs	(125,000)	-	(125,000)	-
Historical foreign exchange losses realized on sale	(927,544)	-	(927,544)	-
Gain on sale of subsidiaries	2,688,166	-	2,688,166	-

As a result of the sale, all revenue and expenses, as well as any gains and losses relating to the operations of the sale subsidiaries have been eliminated from the Company's continuing operations and are instead shown as a single line item in the condensed interim consolidated statements of comprehensive income and loss. Comparative prior year amounts have been restated to conform with this presentation. Cash flows relating to the operations of the sale subsidiaries have also been separated from cash flows relating to the Company's current operations and comparative prior year amounts have been restated to conform with the current presentation in the condensed interim statement of cash flows.

Results of the sale subsidiaries while owned by the Company are as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	2024	2023	2024	2023
	(\$)	(\$)	(\$)	(\$)
Sales	1,566,623	4,035,187	3,592,880	7,738,800
Cost of sales	(1,416,278)	(3,640,557)	(3,582,107)	(6,974,312)
Gross profit	150,345	394,630	10,773	764,488
Selling, general and administration expenses	(175,174)	(445,558)	(515,270)	(986,795)
Management fees	(4,347)	(109,294)	(60,140)	(208,220)
Labour costs and benefits	(210,146)	(785,740)	(747,381)	(1,816,034)
	(239,322)	(945,962)	(1,312,018)	(2,246,561)
Interest expense	(46,134)	(67,930)	(108,068)	(104,223)
Other	-	(189,773)	-	(189,773)
Realized loss on derivative assets	(20,538)	(48,125)	(51,303)	(23,389)
Unrealized gain (loss) on revaluation of derivative liabilities	19,088	(16,361)	98,661	(116,343)
Gain on settlement of debt	-	17,162	-	11,584
Foreign exchange loss	(61,456)	(26,966)	(21,894)	(46,993)
Loss from discontinued operations	(348,362)	(1,277,955)	(1,394,622)	(2,715,698)

The Company has been released from substantially all guarantees previously issued to creditors and lessors of the sold subsidiaries (note 5).

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2024 and 2023

(Unaudited – expressed in Canadian Dollars)

4. Restricted cash

Restricted cash at December 31, 2023 consists of deposits held by the European financial services company which provided the Company's hedging facility (note 8). Under the terms of the hedging facility, cash deposits were required to provide collateral to maintain margin requirements if the market value of the forward currency contracts exceeds a certain negative value. At June 30, 2024 all forward currency contracts for the Company's continuing operations had been fully drawn down, and the deposits for the sold subsidiaries were disposed of in the sale of the sold subsidiaries.

The Company has been released from the guarantees for the sold subsidiaries it previously issued under the terms of the hedging facility.

5. Receivables

	June 30, 2024 (\$)	December 31, 2023 (\$)
Trade accounts receivables	1,015,702	1,920,378
VAT recoverable	25,125	219,984
Other	-	223,140
	1,040,827	2,363,502

The Company's sold subsidiaries had 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 sold subsidiaries' obligations under these facilities. Receivables at December 31, 2023 relating to the sold subsidiaries was \$1,336,700 which included \$918,551 of factored accounts in trade accounts receivable with a corresponding amount included in factored accounts receivable liability. Receivables at June 30, 2024 did not include any factored accounts. Upon the sale of the sold subsidiaries, the Company began the process to be released from its guarantees under the factoring facilities, but still remains liable for approximately €29,000 if the sold subsidiaries default on their obligations under the factoring facility.

6. 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 18)	(23,097,933)
Balance, December 31, 2023	1,204,468
Purchases	8,065,586
Disposed of in sale of subsidiaries (note 3)	(145,384)
Expensed as cost of sales (note 18)	(8,325,904)
Balance, June 30, 2024	798,766

Inventories at December 31, 2023 related to the sold subsidiaries totalled \$333,598.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2024 and 2023

(Unaudited – expressed in Canadian Dollars)

7. Grower advances

Grower advances at December 31, 2023 consisted entirely of a receivable from a related party (note 20). The Company was fully reimbursed for these grower advances by the related party who settled the advances by returning convertible debentures of \$97,500, interest on the convertible debentures of \$9,750 and unpaid accounts payable for services previously provided of \$437,690. Prior to settling the grower advances in May 2024, the Company realized a foreign exchange loss of \$929 on the revaluation of the grower advances. See note 24.

8. Derivative assets and liabilities

Two of the Company's European subsidiaries 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 were all for forward currency exchange contracts up to a total maximum of US\$15.8 million. The Company guaranteed the European subsidiaries' obligations under these facilities.

If exercised at December 31, 2023 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 \$400,653 at December 31, 2023 represents the difference between the cost to acquire US dollars on the spot market and through the forward currency exchange contracts. The derivative liability at December 31, 2023 related to the sold subsidiaries totalled \$125,778.

In May 2024 the Company disposed of part of its derivative liability in the sale of its sold subsidiaries. At June 30, 2024 there was no derivative liability as all forward currency exchange contracts had been fully drawn and there was no obligation to purchase US dollars. With no further obligation to purchase US dollars at contracted rates, an unrealized gain on the valuation of these derivative liabilities at June 30, 2024 was recorded in the condensed interim consolidated statement of comprehensive income and loss. Unrealized gains and losses on the valuation of derivative liabilities related to the sold subsidiaries are included in loss from discontinued operations (note 3).

During the six months ended June 30, 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 in the condensed interim consolidated statement of comprehensive income and loss. Losses realized by the sold subsidiaries are included in loss from discontinued operations (note 3).

9. Investment securities

At June 30, 2024, the market value of the 43,355 Xebra Brands Inc. shares held by the Company was \$4,336 (December 31, 2023 – \$8,750 – 588,355 shares). During the first six months 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 six months of 2024 recognized an unrealized revaluation gain of \$985 (2023 – loss of \$53,556). Subsequent to June 30, 2024 the Company sold 43,355 shares and realized a gain of \$964.

10. 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

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2024 and 2023

(Unaudited – expressed in Canadian Dollars)

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

	Intangible assets				Goodwill (\$)
	Trade names (\$)	Customer and supplier lists (\$)	Software (\$)	Total (\$)	
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 June 30, 2024	-	660,801	-	660,801	898,828
Accumulated amortization					
Balance, January 1, 2023	-	(362,076)	-	(362,076)	-
Amortization	-	(82,600)	-	(82,600)	-
At June 30, 2024	-	(444,676)	-	(444,676)	-
Net carrying value at June 30, 2024	-	578,201	-	578,201	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.

11. 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 June 30, 2025 and is included in short-term loans on the condensed interim consolidated statement of financial position.

12. 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 six months of 2024 the same director provided an additional US\$30,000 and

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2024 and 2023

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other shareholders provided US\$142,143 and \$1,274,800 in interest bearing loans and \$774,710 of the loans were repaid. 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.

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	1,506,738
Repayments	(774,710)
Conversion of government grant to short-term loan (note 11)	60,000
Short-term portion of New Fruit Group promissory note (note 15)	17,683
Foreign exchange	15,039
Balance, June 30, 2024	1,287,855

See note 24.

13. Operating Leases

The Company's sold subsidiaries leased warehouse and office facilities and at the commencement of each lease, the Company recognized a right-of-use asset and a lease liability.

The right-of-use assets were measured at cost and were amortized on a straight-line basis over their lease term. The lease liabilities were 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 would be increased for interest and reduced for payments made. Upon the sale of the sold subsidiaries, the purchaser assumed the right-of-use assets and lease liabilities.

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	(117,194)
Disposed of in sale of subsidiaries (note 3)	(732,577)
Foreign exchange	8,196
Balance at June 30, 2024	-

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the Six Months Ended June 30, 2024 and 2023 (Unaudited – expressed in Canadian Dollars)

A summary of the lease liabilities is as follows:

	<u>(\$)</u>
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	(100,266)
Assumed by purchaser of subsidiaries (note 3)	(772,780)
Foreign exchange	8,595
Balance at June 30, 2024	-

Upon entering the office lease, the Company paid a security deposit of €23,300. This deposit was disposed of in the sale of the sold subsidiaries.

Upon the sale of the sold subsidiaries, the Company was released from its guarantees under the lease agreements.

14. 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.

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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 24). 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.

In May 2024 \$97,500 of these debentures were settled against grower advances receivable with a related party.

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 24). 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.

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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 16(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 24). 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.

March 2025 series

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 16(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 24). 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.

November 2026 series

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

The debentures are convertible into shares of Organto at \$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.

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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 24). 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
Settled against grower advances	(97,500)
Accretion	88,286
Balance at June 30, 2024	10,641,350

	June 30, 2024 (\$)	December 31, 2023 (\$)
Convertible debentures by maturity:		
Debentures subject to restructuring	10,641,350	10,167,674
Maturing in more than one year	-	482,890
	10,641,350	10,650,564

Accrued interest on all outstanding debentures totals \$1,404,411 and is recorded in accounts payable and accrued liabilities at June 30, 2024 (December 31, 2023 – \$949,219).

15. Other liabilities

Other liabilities are comprised of:

	March 31, 2024 (\$)	December 31, 2023 (\$)
Earnouts payable (note 10)	199,007	178,389
Promissory note (note 10)	159,912	167,452
	358,919	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

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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 \$40,342 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.

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.

16. 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 June 30, 2024 the Company had 34,318,382 (December 31, 2023 – 28,568,382) common shares issued and outstanding.

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.

(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 24.

(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.

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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
Forfeited	(25,000)	1.98	(20,500)	1.78
Expired	(17,000)	1.40	(17,000)	1.40
Balance at June 30, 2024	1,645,000	2.16	1,291,000	2.03

A summary of the Company's share options outstanding and exercisable at June 30, 2024 is as follows:

Exercise price (\$)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.50	4.33	25,000	5,000
0.70	0.48	290,000	290,000
1.00	1.16	268,000	241,000
1.35	3.92	100,000	40,000
1.80	1.43	30,000	30,000
1.90	3.73	30,000	12,000
2.10	3.48	130,000	130,000
2.65	1.48	152,000	127,000
2.85	1.57	70,000	62,000
3.00	2.46	160,000	96,000
3.50	2.58	15,000	9,000
3.70	2.41	330,000	210,000
4.20	1.66	30,000	30,000
4.30	2.14	15,000	9,000
	1.95	1,645,000	1,291,000

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

The Company recorded a stock-based compensation expense relating to options that vested in the six months ended June 30, 2024 of \$107,520 (2023 – \$125,180) and \$51,643 (2023 – \$125,180) for the three months ended June 30, 2024.

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(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 June 30, 2024 a total of 310,000 RSUs were outstanding, of which 252,500 had vested. No vested RSUs were paid in the six months ended June 30, 2024 and 2023.

The Company recorded a stock-based compensation expense relating to restricted share units that vested in the six months ended June 30, 2024 of \$41,667 (2023 – \$123,038) and \$18,542 (2023 – \$60,746) for the three months ended June 30, 2024.

(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.

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 June 30, 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 June 30, 2024	29,088	3.00

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(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	149,187	-	-	-	149,187
Historical foreign exchange (gains) losses:					
Realized on dissolution of subsidiary	-	-	-	(389,011)	(389,011)
Realized on sale of subsidiaries	-	-	-	927,544	927,544
Accumulated comprehensive loss	-	-	-	19,131	19,131
Balance at June 30, 2024	4,340,895	752,880	2,673,859	971,682	8,739,316

17. Gain on dissolution of subsidiary

In April 2024 the Company wound down and dissolved its subsidiary in Argentina which had been inactive since 2018. This subsidiary had an insignificant amount of assets and liabilities, all of which were written off. The Company did not receive any proceeds or pay any amounts to dissolve the subsidiary. The gain realized on the dissolution is as follows:

	Three months ended June 30		Six months ended June 30	
	2024 (\$)	2023 (\$)	2024 (\$)	2023 (\$)
Assets written off	(17,928)	-	(17,928)	-
Accrued liabilities written off	7,546	-	7,546	-
Historical foreign exchange gains realized on dissolution	389,011	-	389,011	-
Gain on dissolution of subsidiary	378,629	-	378,629	-

18. Cost of sales

	Three months ended June 30		Six months ended June 30	
	2024 (\$)	2023 (\$)	2024 (\$)	2023 (\$)
Produce purchases (note 6)	4,013,546	3,215,800	8,325,904	6,629,358
Freight	9,174	10,009	12,934	10,978
Packaging and other	103,167	36,220	148,220	60,224
	4,125,887	3,262,029	8,487,058	6,700,560

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19. Selling, general and administration expenses

	Three months ended June 30		Six months ended June 30	
	2024 (\$)	2023 (\$)	2024 (\$)	2023 (\$)
Administration and office	106,357	120,847	185,704	211,458
Professional fees	121,363	165,112	224,652	323,852
Amortization	41,299	23,415	82,600	46,776
Bad debt expense (recovery)	(70,738)	-	(58,510)	-
	198,281	309,374	434,446	582,086

20. Related party transactions

(a) Directors and key management personnel compensation:

	Three months ended June 30		Six months ended June 30	
	2024 (\$)	2023 (\$)	2024 (\$)	2023 (\$)
Salaries, consulting and management fees	83,966	230,460	233,672	480,530
Stock based compensation	52,002	158,764	118,474	309,042
	135,968	389,224	352,146	789,572

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the three- or six-month periods ended June 30, 2024 and 2023.

(b) Transactions with related parties:

	Three months ended June 30		Six months ended June 30	
	2024 (\$)	2023 (\$)	2024 (\$)	2023 (\$)
Office lease payments	29,861	-	77,214	-
Administrative services	36,113	160,650	113,503	342,274

(c) Outstanding balances payable (receivable):

	June 30,	December 31,
	2024 (\$)	2023 (\$)
Salaries, consulting and management fees	311,727	310,147
Interest on convertible debentures	46,695	46,695
Administration services	-	117,345
Expense reimbursements	33,423	25,357
Security deposit on office lease	-	34,100
Advances to suppliers	-	(544,011)

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21. Supplemental cash flow information

	Six months ended June 30	
	2024 (\$)	2023 (\$)
Items not involving cash:		
Amortization	82,600	74,317
Bad debt expense (recovery)	(58,510)	-
Stock-based compensation	149,187	371,378
Interest expense and accretion	625,974	904,976
Foreign currency translation	7,684	(22,914)
Realized gain on sale of investment securities	(7,855)	-
Unrealized loss (gain) on revaluation of investment securities	(985)	53,556
Unrealized loss (gain) on revaluation of derivatives	(274,707)	336,450
Gain on dissolution of subsidiary	(378,629)	-
Gain on sale of subsidiaries	(2,688,166)	-
	(2,543,407)	1,717,763
Changes in non-cash working capital:		
Receivables	45,112	(1,119,188)
Inventories	72,105	303,233
Prepaid expenses	29,203	(11,564)
Accounts payable and accrued liabilities	849,436	(253,359)
	995,856	(1,080,878)
Non-cash investing and financing activities includes the following:		
Convertible debentures settled against grower advances (note 7)	97,500	-

22. 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 six months ended June 30, 2024, 98% of the Company's sales were to 3 customers with each customer accounting for at least 5% of total sales. In the three months ended June 30, 2024, 97% of the Company's sales were to 3 customers with each customer accounting for at least 5% of total sales.

In the six months ended June 30, 2023, 79% of the Company's sales were to 4 customers with each customer accounting for at least 5% of total sales. In the three months ended June 30, 2023, 86% of the Company's sales were to 4 customers with each customer accounting for at least 5% of total sales.

In the six months ended June 30, 2024, 91% 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 June 30, 2024, 94% of the Company's purchases were from 5 suppliers with each supplier accounting for at least 5% of total purchases.

In the six months ended June 30, 2023, 73% 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 June 30, 2023, 84% of the Company's purchases were from 6 suppliers with each supplier accounting for at least 5% of total purchases.

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Information by geographical areas is as follows:

	June 30, 2024 (\$)	December 31, 2023 (\$)
Non-current assets		
Netherlands	-	875,675
Germany	1,477,029	1,559,629
	1,477,029	2,435,304

23. Commitments

At June 30, 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	154,750	-	-	154,750
Labour and benefits	84,229	-	-	84,229
	238,979	-	-	238,979

24. Subsequent events

Short-term loans

Subsequent to June 30, 2024 the Company received \$423,228 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.

Private placement

The Company received US\$100,000 in February 2024, \$468,000 in September 2024 and \$150,000 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.

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2024 and 2023

(Unaudited – expressed in Canadian Dollars)

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%.

Stock options

Subsequent to June 30, 2024 a total of 305,000 stock options expired unexercised.

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.

Office lease

In October 2024 the Company began leasing office facilities. The lease has a term of 1 year with a monthly cost of €3,333.