Organto Foods Inc.
1111 Mellville Street
Suite 410
Vancouver, BC V6E 3V6
Canada
www.organto.com

ORGANTO FOODS INC.

CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the Nine Months Ended
September 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 nine months ended September 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)

Assets	**September 30, 2024 ($)**	**December 31, 2023 ($)**
Current assets		
Cash	755,106	186,295
Restricted cash (note 4)	-	69,187
Receivables (notes 5 and 21)	1,223,620	2,363,502
Inventories (note 6)	1,242,398	1,204,468
Prepaid expenses	56,720	104,915
Grower advances (notes 7 and 21)	-	544,011
Investment securities (note 9)	-	8,750
	3,277,844	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)	536,901	660,801
Goodwill (note 10)	898,828	898,828
	4,713,573	**6,916,432**
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (notes 12, 14, 15 and 21)	5,410,468	8,477,036
Factored accounts receivable liability (note 5)	-	918,551
Short-term loans (note 12)	1,704,951	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
	17,756,769	20,739,657
Non-current liabilities		
Convertible debentures (note 14)	-	482,890
Operating leases (note 13)	-	611,813
Other liabilities (note 15)	385,234	345,841
Deferred income taxes (note 10)	272,400	272,400
Total liabilities	**18,414,403**	**22,452,601**
Shareholders' equity (deficit)		
Share capital (note 16 (a))	35,826,632	35,251,632
Shares to be issued (note 16(b))	602,120	-
Reserves (note 16(f))	8,951,107	8,032,465
Deficit	(59,080,689)	(58,820,266)
Total shareholders' equity (deficit)	**(13,700,830)**	**(15,536,169)**
	4,713,573	**6,916,432**

Nature of operations and going concern (note 1)
Commitments (note 24)
Subsequent events (note 25)

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 September 30		Nine months ended September 30	
	2024 ($)	**2023 ($)**	**2024 ($)**	**2023 ($)**
Sales (notes 21 and 23)	5,204,504	3,533,823	14,251,619	10,879,943
Cost of sales (notes 6, 19 and 21)	(4,591,142)	(3,157,662)	(13,078,200)	(9,858,222)
Gross profit	613,362	376,161	1,173,419	1,021,721
Selling, general and administration expenses (notes 20 and 21)	(566,386)	(232,820)	(1,000,832)	(814,906)
Management fees (note 21)	(72,674)	(80,886)	(253,619)	(353,196)
Labour costs and benefits (note 21)	(349,410)	(151,096)	(783,707)	(397,744)
Stock-based compensation (notes 16(c), 16(d) and 21)	(75,325)	(158,432)	(224,512)	(529,810)
	(450,433)	(247,074)	(1,089,251)	(1,073,935)
Interest expense and accretion, net (note 14)	(290,068)	(419,945)	(916,042)	(1,116,475)
Realized gain (loss) on sale of investment securities (note 9)	(337)	-	7,518	-
Unrealized gain (loss) on investment securities (note 9)	-	(12,735)	985	(66,291)
Realized loss on derivative assets (note 9)	-	(35,743)	(86,196)	(104,106)
Unrealized gain on revaluation of derivative liabilities (note 8)	-	180,717	274,707	76,953
Foreign exchange gain (loss)	(17,392)	53,810	(40,263)	68,638
Gain (loss) on dissolution of subsidiary (note 17)	(11,689)	-	366,940	-
Gain (loss) on sale of subsidiaries (note 3)	(80,644)	-	2,607,522	-
Income (loss) from continuing operations	(850,563)	(480,970)	1,125,920	(2,215,216)
Income (loss) from discontinued operations (note 18)	8,279	(1,103,434)	(1,386,343)	(3,700,830)
Net loss for the period	(842,284)	(1,584,404)	(260,423)	(5,916,046)
Other comprehensive gain (loss) for the period:				
Foreign currency translation	44,133	13,185	63,264	5,014
Comprehensive loss for the period	**(798,151)**	**(1,571,219)**	**(197,159)**	**(5,911,032)**
Basic and diluted income (loss) per share:				
Continuing operations	(0.03)	(0.02)	0.04	(0.08)
Discontinued operations	0.00	(0.04)	(0.05)	(0.13)
Shares used in computing loss per share:	33,307,393	28,548,383	30,937,887	28,450,349

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)

	Nine months ended September 30 2024 ($)	2023 ($)
Operating activities		
Income (loss) from continuing operations	1,125,920	(2,215,216)
Add back:		
Items not involving cash (note 22)	(1,990,322)	1,561,959
	(864,402)	(653,257)
Changes in non-cash working capital (note 22)	1,029,950	(166,817)
Cash provided by (used in) continuing operations	165,548	(820,074)
Cash used in discontinued operations	(1,654,878)	(3,015,592)
Cash used by operating activities	(1,489,330)	(3,835,666)
Investing activities		
Interest received	319	19,553
Proceeds from sale of investment securities	17,254	-
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	(39,863)	(321,049)
Financing activities		
Proceeds from private placement of common shares	575,000	-
Share subscriptions received in advance	602,120	-
Proceeds from short-term loans	1,929,965	264,960
Repayment of short-term loans	(774,710)	-
Proceeds from convertible debentures, net of issue costs	-	1,001,020
Bank loan repaid	-	(680,508)
Repayments of convertible debentures	-	(1,448,000)
Proceeds from exercise of stock options	-	70,000
Interest paid	(33,068)	(278,200)
Cash used by discontinued operations	(208,334)	(269,638)
Cash provided by (used in) financing activities	2,090,973	(1,340,366)
Effect of foreign exchange on cash	7,031	(21)
Increase (decrease) in cash	568,811	(5,497,102)
Cash, beginning of period	186,295	5,769,979
Cash, end of period	**755,106**	**272,877**

Supplemental cash flow information (note 22)

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 Nine Months Ended September 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
on exercise of restricted share units	20,000	49,000	-	(49,000)	-	-
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	-	-	-	529,810	-	529,810
Comprehensive income (loss) for the period	-	-	-	5,013	(5,911,032)	(5,906,019)
Balance at September 30, 2023	**28,568,383**	**35,251,632**	**-**	**7,910,720**	**(51,304,077)**	**(8,141,725)**
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	-	-	602,120	-	-	602,120
Stock-based compensation	-	-	-	224,512	-	224,512
Comprehensive income (loss) for the period	-	-	-	694,130	(260,423)	433,707
Balance at September 30, 2024	**34,318,382**	**35,826,632**	**602,120**	**8,951,107**	**(59,080,689)**	**(13,700,830)**

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 and to date, the conflict has not materially affected the Company's operations.

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 nine months ended September 30, 2024, the Company incurred a loss of $260,423 (September 30, 2023 – loss of $5,916,046). The operations of the Company have historically been funded by the issuance of share capital, bank loans, short-term loans and convertible loans. At September 30, 2024, the Company had a working capital deficit of $14,478,925 (December 31, 2023 - $16,258,529) and had an accumulated deficit of $59,080,689 (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 27, 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 "sold subsidiaries"). The independent third-party purchaser acquired 100% of the outstanding shares of each the sold subsidiaries for Euro 1 and assumed all of the sold 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 sold 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. The valuation concluded that the assumption of all liabilities of the sold subsidiaries by the purchaser represented fair proceeds to the Company.

(Unaudited – expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2024 ($)	2023 ($)	2024 ($)	2023 ($)
Proceeds	-	-	1	-
Assets disposed of	-	-	(1,978,950)	-
Liabilities assumed by purchaser	-	-	5,719,659	-
Legal and other transaction costs	-	-	(125,000)	
Historical foreign exchange losses realized on sale	(80,644)	-	(1,008,188)	-
Gain on sale of subsidiaries	**(80,644)**	**-**	**2,607,522**	**-**

Certain estimates originally used in the second quarter have been updated in the third quarter.

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

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 September 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

	September 30, 2024 ($)	December 31, 2023 ($)
Trade accounts receivables	1,174,296	1,920,378
VAT recoverable	41,463	219,984
Other	7,861	223,140
	1,223,620	**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 September 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.

(Unaudited – expressed in Canadian Dollars)

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 19)	(23,097,933)
Balance, December 31, 2023	**1,204,468**
Purchases	13,138,002
Disposed of in sale of subsidiaries (note 3)	(145,384)
Expensed as cost of sales (note 19)	(12,954,688)
Balance, September 30, 2024	**1,242,398**

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

7. Grower advances

Grower advances at December 31, 2023 consisted entirely of a receivable from a related party (note 21). 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.

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 September 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. 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 nine months ended September 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).

See note 25.

(Unaudited – expressed in Canadian Dollars)

9. Investment securities

At September 30, 2024, the Company no longer held any shares of Xebra Brands Inc. At December 31, 2023 the Company held 588,355 shares valued at $8,750. 545,000 shares were sold in the first quarter of 2024 for a realized gain of $7,855 and 43,355 shares were sold in the third quarter for a realized loss of $337. At each period end the Company recorded an unrealized revaluation gain or loss and revalued the carrying value of any shares owned to reflect their market value.

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 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 September 30, 2024	**-**	**660,801**	**-**	**660,801**	**898,828**
Accumulated amortization					
Balance, January 1, 2023	-	(362,076)	-	(362,076)	-
Amortization	-	(123,900)	-	(123,900)	-
At September 30, 2024	**-**	**(482,976)**	**-**	**(485,976)**	**-**
Net carrying value at September 30, 2024	**-**	**536,901**	**-**	**536,901**	**898,828**

(Unaudited – expressed in Canadian Dollars)

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 September 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 nine months of 2024 the same director provided an additional US$30,000 and other shareholders provided US$289,143 and $1,498,463 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	1,929,965
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)	17,165
Foreign exchange	9,426
Balance, September 30, 2024	**1,704,951**

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.

(Unaudited – expressed in Canadian Dollars)

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 September 30, 2024	**-**

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	(100,266)
Assumed by purchaser of subsidiaries (note 3)	(772,780)
Foreign exchange	8,595
Balance at September 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.

<u>January 2023 series</u>

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.

<u>December 2024 series A</u>

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 25). 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.

<u>December 2024 series B</u>

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 25). 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>February 2025 series</u>

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 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 25). 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 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 25). 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.

(Unaudited – expressed in Canadian Dollars)

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.

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 25). 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 September 30, 2024	**10,641,350**

	September 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**

(Unaudited – expressed in Canadian Dollars)

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

15. Other liabilities

Other liabilities are comprised of:

	September 30, 2024 ($)	December 31, 2023 ($)
Earnouts payable (note 10)	215,894	178,389
Promissory note (note 10)	169,340	167,452
	385,234	**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 $40,342 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 September 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 and $468,000 in September 2024 in advance of a private placement planned for the fourth quarter of 2024. See note 25.

(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.

(Unaudited – expressed in Canadian Dollars)

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	-	-	100,100	1.46
Forfeited	(264,000)	1.72	(181,500)	1.65
Expired	(125,500)	2.53	(125,500)	2.53
Balance at September 30, 2024	**1,297,500**	**2.13**	**1,043,500**	**2.00**

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

Exercise price ($)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.50	4.08	25,000	5,000
0.70	0.25	202,500	202,500
1.00	0.87	240,000	240,000
1.35	3.67	100,000	40,000
1.80	1.18	30,000	30,000
1.90	3.48	30,000	12,000
2.10	3.22	130,000	130,000
2.65	1.01	90,000	78,000
2.85	1.33	30,000	30,000
3.00	1.39	60,000	36,000
3.70	2.15	330,000	210,000
4.20	1.41	30,000	30,000
	1.74	**1,297,500**	**1,043,500**

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 nine months ended September 30, 2024 of $173,470 (2023 – $349,115) and $65,950 (2023 – $125,180) for the three months ended September 30, 2024.

(Unaudited – expressed in Canadian Dollars)

(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 September 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 September 30, 2024 and 2023.

The Company recorded a stock-based compensation expense relating to restricted share units that vested in the nine months ended September 30, 2024 of $51,042 (2023 – $180,695) and $9,375 (2023 – $57,657) for the three months ended September 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 September 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 September 30, 2024	**29,088**	**3.00**

(Unaudited – expressed in Canadian Dollars)

(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	224,512	-	-	-	224,512
Historical foreign exchange (gains) losses:					
Realized on dissolution of subsidiary	-	-	-	(377,322)	(377,322)
Realized on sale of subsidiaries	-	-	-	1,008,188	1,008,188
Accumulated comprehensive loss	-	-	-	63,264	63,264
Balance at September 30, 2024	**4,416,220**	**752,880**	**2,673,859**	**1,108,148**	**8,951,107**

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 September 30		Nine months ended September 30	
	2024 ($)	2023 ($)	2024 ($)	2023 ($)
Assets written off	-	-	(17,928)	-
Accrued liabilities written off	-	-	7,546	-
Historical foreign exchange gains realized on dissolution	(11,689)	-	377,322	-
Gain on dissolution of subsidiary	**(11,689)**	**-**	**366,940**	**-**

Certain estimates originally used in the second quarter have been updated in the third quarter.

18. Loss from discontinued operations

In April 2024 the Company wound down and dissolved its subsidiary in Argentina which had been inactive since 2018 (note 17), and in June 2024 the Company completed the sale of three of its wholly owned Dutch operating subsidiaries (note 3).

As a result of the dissolution and sale, all revenue and expenses, as well as any gains and losses relating to the operations of the dissolved and sold 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 dissolved and sold 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.

(Unaudited – expressed in Canadian Dollars)

Results of the dissolved and sold subsidiaries while owned by the Company are as follows:

	Three months ended September 30		Nine months ended September 30	
	2024 ($)	**2023 ($)**	**2024 ($)**	**2023 ($)**
Sales	-	2,849,920	3,592,880	10,588,719
Cost of sales	-	(2,676,100)	(3,582,107)	(9,650,411)
Gross profit	-	173,820	10,773	938,308
Selling, general and administration expenses	-	(397,609)	(515,270)	(1,384,404)
Management fees	-	(126,282)	(60,140)	(334,502)
Labour costs and benefits	-	(638,597)	(747,381)	(2,335,658)
	-	(988,668)	(1,312,018)	(3,116,256)
Interest expense	-	(76,359)	(108,068)	(180,582)
Other	-	-	-	(189,773)
Realized loss on derivative assets	-	(48,462)	(51,303)	(71,851)
Unrealized gain (loss) on revaluation of derivative liabilities	-	52,235	98,661	(64,108)
Gain on settlement of debt	-	-	-	11,584
Foreign exchange income (loss)	8,279	(42,181)	(13,615)	(89,844)
Income (loss) from discontinued operations	**8,279**	**(1,103,434)**	**(1,386,343)**	**(3,700,830)**

19. Cost of sales

	Three months ended September 30		Nine months ended September 30	
	2024 ($)	**2023 ($)**	**2024 ($)**	**2023 ($)**
Produce purchases (note 6)	4,528,064	3,070,022	12,954,688	9,699,380
Freight	22,238	33,386	35,172	44,363
Packaging and other	40,840	54,254	88,340	114,479
	4,591,142	**3,157,662**	**13,078,200**	**9,858,222**

20. Selling, general and administration expenses

	Three months ended September 30		Nine months ended September 30	
	2024 ($)	**2023 ($)**	**2024 ($)**	**2023 ($)**
Administration and office	312,326	86,962	498,030	298,420
Professional fees	210,475	119,023	435,127	442,875
Amortization	41,300	26,835	123,900	43,198
Bad debt expense (recovery)	2,285	-	(56,225)	-
	566,386	**232,820**	**1,000,832**	**784,493**

(Unaudited – expressed in Canadian Dollars)

21. Related party transactions

(a) Directors and key management personnel compensation:

	Three months ended September 30		Nine months ended September 30	
	2024 ($)	**2023 ($)**	**2024 ($)**	**2023 ($)**
Salaries, consulting and management fees	72,674	180,197	306,346	656,353
Stock based compensation	53,693	135,988	172,167	445,030
	126,367	**316,185**	**478,513**	**1,101,382**

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

(b) Transactions with related parties:

	Three months ended September 30		Nine months ended September 30	
	2024 ($)	**2023 ($)**	**2024 ($)**	**2023 ($)**
Office lease payments	-	-	77,214	-
Administrative services	-	140,165	113,503	428,440

(c) Outstanding balances payable (receivable):

	September 30, 2024 ($)	**December 31, 2023 ($)**
Salaries, consulting and management fees	348,176	310,147
Interest on convertible debentures	46,695	46,695
Administration services	-	117,345
Expense reimbursements	33,611	25,357
Security deposit on office lease	-	34,100
Advances to suppliers	-	(544,011)

(Unaudited – expressed in Canadian Dollars)

22. Supplemental cash flow information

	Nine months ended September 30 2024 ($)	Nine months ended September 30 2023 ($)
Items not involving cash:		
Amortization	123,900	73,611
Bad debt expense (recovery)	(56,225)	-
Stock-based compensation	224,512	529,810
Interest expense and accretion	916,042	1,116,475
Foreign currency translation	59,121	(147,275)
Realized gain on sale of investment securities	(7,518)	-
Unrealized loss (gain) on revaluation of investment securities	(985)	66,291
Unrealized loss (gain) on revaluation of derivatives	(274,707)	(76,953)
Gain on dissolution of subsidiary	(366,940)	-
Gain on sale of subsidiaries	(2,607,522)	-
	(1,990,322)	**1,561,959**
Changes in non-cash working capital:		
Receivables	(139,966)	(376,746)
Inventories	(371,527)	270,592
Prepaid expenses	48,195	6,160
Accounts payable and accrued liabilities	1,493,248	348,745
	1,029,950	**248,752**
Non-cash investing and financing activities includes the following:		
Convertible debentures settled against grower advances (note 7)	97,500	-

23. 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 nine months ended September 30, 2024, 94% 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 September 30, 2024, 95% of the Company's sales were to 4 customers with each customer accounting for at least 5% of total sales.

In the nine months ended September 30, 2023, 82% 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 September 30, 2023, 93% of the Company's sales were to 4 customers with each customer accounting for at least 5% of total sales.

In the nine months ended September 30, 2024, 86% 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 September 30, 2024, 92% of the Company's purchases were from 6 suppliers with each supplier accounting for at least 5% of total purchases.

In the nine months ended September 30, 2023, 75% 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 September 30, 2023, 89% of the Company's purchases were from 6 suppliers with each supplier accounting for at least 5% of total purchases.

(Unaudited – expressed in Canadian Dollars)

Information by geographical areas is as follows:

	September 30, 2024 ($)	December 31, 2023 ($)
Non-current assets		
Netherlands	-	875,675
Germany	1,435,729	1,559,629
	1,435,729	**2,435,304**

24. Commitments

At September 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	86,807	-	-	86,807
	241,557	**-**	**-**	**241,557**

25. Subsequent events

Private placement

The Company received $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.

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%.

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. The facility was increased by US$1 million in November 2024 with forward exchange contracts that will expire in November 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. US$1.9 million of the April 2025 contracts were drawn down in October and November 2025.

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.