

# **ORGANTO FOODS INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Three Months Ended  
March 31, 2024**

**(Stated in Canadian Dollars)**

## BASIS OF PRESENTATION

The following Management’s Discussion and Analysis (“MD&A”) provides an overview of the business and operations of Organto Foods Inc. for the three-month period ended March 31, 2024. This report should be read in conjunction with our December 31, 2023 consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and our website at [www.organto.com](http://www.organto.com).

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

All currency amounts are expressed in Canadian dollars unless noted otherwise. In addition, “this quarter” or “current quarter” refers to the three months ended March 31, 2024.

On September 29, 2023, the Company completed a consolidation of its common shares on the basis of one new common share for every existing 10 common shares. The share consolidation has been retroactively presented in this MD&A and all share and per share amounts are presented on a post consolidation basis.

This MD&A is dated October 24, 2024.

## FORWARD-LOOKING STATEMENTS

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

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

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

- we have a history of operating losses and may incur further losses until our operating platform achieves the scale required to fund operations;
- there is risk in our ability to continue as a going concern due to losses incurred as we build our operating platform combined with risk in our working capital position and our accumulated deficit, all of which could impact our ability to continue operations;
- we may not be able to secure financing required to meet future capital needs to continue operations;

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

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

## **NON-IFRS FINANCIAL MEASURES**

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

## STRATEGY

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

We believe that the demand for healthy and organic foods will continue to grow as consumers focus on food safety, quality, health concerns and the impact the foods they consume have on the environment. We also believe that organic supply availability will be an important factor to this growth being realized. According to an International Publication by Agence BIO entitled Organic Sector Worldwide, the global areas grown organically (certified and in conversion) amounted to 96.4 million hectares in late 2022, an increase of 26.6% versus late 2021. In addition, 2.0% of global agricultural land was grown organically in late 2022 versus 0.3% in 2000, an increase of 6.4 times during that period. This report also noted that the global organic foods market increased more than nine-fold in twenty-three years, approaching Euro 141 billion in 2022. North America and Europe represent nearly three quarters of global organic consumption followed by Asia at approximately 12%.

The organic market in Europe continues to grow as consumers pursue healthy eating options. In 2019 the market increased approximately 8% to Euro 40.7 billion, another 8% in 2019 to Euro 45.0 billion, in 2020 it also grew another 15% to Euro 52.0 billion and in 2022, according to the Research Institute of Organic Agriculture (FiBL), grew approximately 4% to Euro 54.5 billion. In 2023 the European market is believed to have contracted approximately 3% as inflationary pressures combined with supply shortages resulting from geopolitical uncertainty impacted end consumption. Globally European countries account for the highest share of organic food sales as a percentage of total food sales.

And the US market continues to grow as well. According to the US Organic Trade Association (OTA) sales of organic foods grew 5.0% in 2019 to approximately US\$51.6 billion, another 12.7% in 2020 to approximately US\$58.1 billion, another 1.7% in 2021 to approximately US\$ 59.1 billion another 4.2% in 2022 to US\$ 61.7 billion and another 3.4% in 2023 to US \$63.8 billion, growing at rates that are normally faster than that of conventional products. Also, according to the OTA organic foods sales in the US now represents approximately 6% of total food sales. Furthermore, the fresh produce segment is the largest within the organic segment, representing sales of approximately US \$20.5 billion in 2023. Organic produce now accounts for more than 15% of all the produce that Americans eat.

It is our belief in these growing markets and consumer trends, combined with our objective of building an efficient year-round supply chain platform that connects growers with premium end markets that underlies our strategic focus and our vision of being a leading global provider of healthy and organic fruit and vegetable products utilizing an integrated asset-lighter business model, serving socially responsible and health-conscious consumers around the globe.

We employ a business model that links growers with premium end markets using our “field to the shelf” expertise. Driven by consumer and retailer demand for healthy and organic food products, we deliver a range of branded, private label and bulk distributed products to meet these needs via an integrated business model with diverse sourcing, logistics, processing, packaging and distribution capabilities. We strive to provide year-round product supply for many of our products and complete traceability from the shelf back to the field. Our model is rooted in our commitment to sustainable business practices focused on environmental responsibility and our commitment to the communities where we operate, our people and our shareholders.

Our strategy continues to evolve. In 2018 and 2019 we repositioned from an asset-heavy, single revenue stream business model to an asset-lighter, multi-stream revenue model. In doing so we exited our own growing, processing and packaging operations in favor of strategic third-party growing, processing and packaging relationships. Our shift to an asset-lighter business model led to the expansion of our product portfolio and resulted in year over year increases in our sales. At the same time, we increased our portfolio to include branded, private label and bulk distributed product offerings.

In 2021 and 2023 we completed a number of strategic acquisitions intended to expand our product platform and customer and supplier base and in doing so continue the growth of our business. While these acquisitions contributed to our continued growth, we were unable to translate increased sales and gross margins into bottom-line profits as the costs of operating a complex operating structure, combined with heavy investments in marketing and infrastructure, resulted in losses from operations. In June 2024, after a strategic review of our operations, we decided to divest three European operating subsidiaries in order to (i) streamline and simplify operations, (ii) improve operating results and our path to profitability, (iii) improve our balance sheet, and (iv) enhance our ability to

finance our operations. With this divestiture our operations remain focused on our mission of “making healthy and organic fruit and vegetable products available for every consumer”.

Our long-term growth strategy is to build a differentiated business in organic and specialty fruit and vegetable products fueled by a combination of strong internal growth and acquisitions. This long-term growth strategy is anchored by our three core operational strategies: *Drive Sales Growth*, *Drive Margin Growth per Unit Sale* and *Build Infrastructure and Organizational Presence*.

- \* *Drive Sales Growth* – development of efficient and reliable year-round integrated supply chains, growth of strategic customers and suppliers, expansion into new product categories where we deserve to win, and addition of innovative products to drive sales and gross margin growth; and
- \* *Drive Margin Growth Per Unit Sale* – using our core product categories to maintain stable margins, shifting the mix over time to higher margin categories including beyond fresh and driving efficiencies in logistics, packaging and distribution combined with strict risk management practices; and
- \* *Build Infrastructure and Organizational Presence* – develop our people, processes and systems while responsibly building the organization with resources necessary to allow the business to scale as required in a cost-efficient and timely manner with a focus on digital technologies and sustainable business practices to drive both market expansion and efficiencies.

In hand with our private label and bulk distributed product capabilities, we have developed a number of branded concepts for our healthy and organic fruit and vegetable products. Our premium “I AM Organic” brand has been developed with the objective of linking consumer demand for visibility, transparency, sustainability and convenience with our product offering. Our mid-tier non-GMO brand, =Awesome Fruits, provides a unique brand bringing flavor to life via the power of nature for European consumers. Our premium non-GMO brand, ORO, provides products with gold standard quality standards. In hand with our branded products offerings, we work with retail and distribution partners and provide private label and bulk distributed offerings, with the objective of maximizing supply chain and operating efficiencies while creating category demand for our branded product portfolio. Our health and organic products are currently being marketed to a variety of European customers and will be followed by an introduction to other food markets when deemed appropriate.

## HISTORY AND OPERATIONS

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

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

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

In November 2018 we completed the acquisition of Medicannabis, SAS, a privately held Colombian medicinal cannabis company that was a late-stage applicant to enable it to cultivate and process cannabis in Colombia. Following an assessment of our strategic focus and market opportunities in organic fruit and vegetable products, the decision was taken to divest of our cannabis assets. As a result, in June 2019 we entered into a share purchase agreement to sell our shares of Medicannabis SAS and related intellectual property to Xebra Brands Ltd. (“Xebra”) for a combination of shares of Xebra, cash and forgiveness of debt. We received shareholder approval and TSX-V acceptance of this transaction in October 2019. We have now fully exited our investment in Xebra.

In January 2021 we acquired the shares of Fresh Organic Choice BV (“FORC”), a privately held Dutch corporation. FORC provides a wide range of fresh-cut organic herbs, marketed under the Fresh Organic Choice brand and in private label formats to customers throughout Europe. FORC employs an asset-light business model, with supply primarily from European sources. In June 2024 we sold our interest in FORC.

In November 2021 we acquired the shares BeeOrganic BV (“BeeOrganic”), a privately held Dutch corporation. BeeOrganic is a year-round provider of fresh fair-trade organic bananas with sales to European based customers. BeeOrganic offers a differentiated product offering, combining specific product size specifications with a unique ripening process to deliver great-tasting products to its customers. BeeOrganic operates an asset-light business model, with its products sourced primarily from strategic Caribbean and South American-based grower partners. In June 2024 we sold our interest in BeeOrganic.

In November 2021 we acquired the operating assets, including customer and supplier relationships and certain trademark applications, of ZMS BV (“ZMS”), a privately held Dutch corporation that was controlled by Organto’s Co-CEO and operating as Zimbabwe Marketing Services. ZMS sold non-GMO and organic raspberries, snow peas, sugar snaps and fine green beans sourced from a number of African-based growing regions to a variety of customers, primarily in Europe, using an asset-light business model. In June 2024 we sold our interest in Organto Europe BV, our European subsidiary which held the assets acquired from ZMS.

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

In April 2024 we completed our exit from Argentina and our subsidiary, Organto Argentina SA, was wound down.

In June 2024 we sold three of our wholly owned Dutch operating subsidiaries to an independent third-party purchaser (“Purchaser”), as part of our efforts to reposition our business and strengthen our balance sheet. The subsidiaries sold (“Sold Subsidiaries”) were: Organto Europe BV, Fresh Organic Choice BV; and BeeOrganic BV. The Purchaser acquired all the outstanding shares in the capital of each of the Sold Subsidiaries for Euro 1 and assumed all of the Sold Subsidiaries’ assets and liabilities. We have continued operations with NFG New Fruit Group GmbH becoming our key operating entity focusing on organic and non-GMO bananas, avocados, ginger, blueberries and mangos.

Our head office is located at 410 – 1111 Melville St., Vancouver, BC, V6E 3V6, Canada and we have a trading company in Munich, Germany, a logistics and administration office in Breda, the Netherlands with regional offices located in Mexico and Guatemala.

## OUTSTANDING SHARE DATA

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

We have authorized capital of an unlimited number of common shares without par value. We have the following capital structure as at the date of this MD&A and March 31, 2024:

	October 24, 2024	March 31, 2024
Common shares issued	34,318,382	28,568,382
Share purchase options outstanding (\$0.50-\$4.30)	1,340,000	1,687,000
Restricted share units	310,000	407,500
Warrants (\$3.00)	29,088	29,088

See “Liquidity and Capital Resources” for further information.

## RECENT DEVELOPMENTS

### Corporate

In September and October 2024, we received \$740,000 in advance of a private placement planned for the fourth quarter of 2024.

In July 2024 we were issued a failure-to-file cease trade order (“FFCTO”) under *Multilateral Instrument 11-103 Failure-To-File Cease Trade Orders In Multiple Jurisdictions* by the British Columbia Securities Commission (“BCSC”). The FFCTO was issued as a result of the

delay in the filing of our annual audited financial statements and related management's discussion and analysis for the fiscal year ended December 31, 2023, and related filings, as well as our interim financial statements and related management's discussion and analysis for the three-month period ended March 31, 2024, and related filings. Under *National Instrument 51-102 Continuous Disclosure Obligations*, the annual filings were required to be made no later than April 29, 2024, and the interim filings were required to be made no later than May 30, 2024. The BCSC had previously issued, on May 1, 2024, a management cease trade order, which was revoked and replaced by the FFCTO. The delay in filing the annual filings, which was a result of a change in Company personnel in late 2023 and other unexpected delays, had a cascading effect which caused us to be late in filing our interim filings for both the three-month period ended March 31, 2024, and the three-month period ended June 30, 2024. We are working to complete the interim filings for the three-month period ended June 30, 2024, and believe the FFCTO will be rescinded shortly thereafter and well before the interim filings for the three-month period ended September 30, 2024, are due to be filed.

On October 8, 2024, we filed our annual audited financial statements, related management's discussion and analysis and related filings for the fiscal year ended December 31, 2023.

In June 2024 we sold three of our wholly owned Dutch operating subsidiaries to an independent third-party purchaser ("Purchaser"), as part of our efforts to reposition our business and strengthen our balance sheet. The subsidiaries sold ("Sold Subsidiaries") were: Organto Europe BV, Fresh Organic Choice BV; and BeeOrganic BV. The Purchaser acquired all the outstanding shares in the capital of each of the Sold Subsidiaries for Euro 1 and assumed of the Sold Subsidiaries' assets and liabilities. We have continued operations and NFG New Fruit Group GmbH has become our key operating entity focusing on organic and non-GMO bananas, avocados, ginger and mangos.

In June 2024 we announced the resignation of Rients van der Wal from his positions as a director and co-CEO to pursue another career opportunity.

Since December 31, 2023, we have received \$1,929,965 in proceeds from short-term loans. The loans are unsecured and bear interest at 12% and have a term of one year, at which time principal and interest become payable. During the same period, we repaid \$774,710 of our short-term loans.

In April 2024 we completed a private placement of 5,750,000 common shares at a price of CDN \$0.10 per share for proceeds of CDN \$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 issued 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.

We did not pay the interest amounts due in December 2023 on all series of our outstanding convertible debentures.

In March 2024 we reached an agreement in principle 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 will remain 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 we have the option to force conversion if our 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 due to one of our European subsidiaries.

We have approached the other holders of our 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 will remain unchanged at 10%.

Work continues to finalize the agreements with debenture holders, and we expect to apply for TSXV approval shortly after the FFCTO is rescinded.

In January 2024 we withdrew our application for the preliminary short form base shelf prospectus that we filed with the securities regulators in each province and territory of Canada.

In August 2023, two of our European subsidiaries, FORC and BeeOrganic, established accounts receivable factoring facilities with a European financial institution for a combined total of up to Euro 750,000 and we were required to guarantee our European subsidiaries' obligations under the facilities. Under the factoring facility, our subsidiaries are required to maintain credit insurance for those customers whose accounts are factored and pledge any and all proceeds received under this insurance to the European bank. Any factored accounts receivable will incur interest at EURIBOR plus 2.4%

In August 2023 we issued an unsecured promissory note to a director for proceeds of US\$200,000 and in November 2023 issued a second promissory note for proceeds of US\$125,000. The funds received were used to fund our ongoing operations. The notes bore interest at 12% and together with accrued interest, were to become payable on the earlier of the date on which any or all of Company's European subsidiaries secure effective factoring facilities with a total capacity of no less than Euro 2,950,000 and January 6, 2025. The notes and related interest were settled as part of the April 2024 private placement.

In February and March 2023, we completed three tranches of a private placement of unsecured convertible debentures. We raised total gross proceeds of \$1,033,000, and net proceeds of \$990,487 after fees and related costs. In addition, 106,600 broker warrants were issued with an exercise price of \$3.00 and terms of two years. These debentures bear interest at an annual interest rate of 10% and are convertible into common shares of Organto (TSX-V:OGO) at a price of \$3.00 per share. \$500,000 of the debentures mature in December 2024, \$295,000 of the debentures mature in February 2025 and \$238,000 of the debentures mature in March 2025, subject to any extensions agreed to post-issuance. If at any time after four months from the date of issuance of the Debentures, the closing price of Organto's common shares as traded on the TSX Venture Exchange is equal to or greater than \$4.50 for 10 consecutive trading days or more, Organto may, in its sole discretion, accelerate the conversion of the Debentures. There is no pre-payment penalty.

In January 2023 we acquired 100% of the outstanding shares of NFG New Fruit Group GmbH ("NFG") a private German corporation operating since 2019. NFG's core focus was and remains on organic, fairtrade and non-GMO bananas, avocado, and mango. NFG was and remains a fully certified organic products supplier with a European sales focus and a strong existing retail customer base in Germany, Italy, France and Denmark. NFG has global supply relationships with established grower partners in the Caribbean, South America and Africa, and a leadership team with broad global organic fruit and vegetable experience. Purchase consideration included €250,000 in cash, 225,000 common shares of Organto which will become freely tradeable equally over 5 years and a note payable of €146,447 with an interest rate of 2%, payable equally over three years based on certain conditions. In addition, the former owners are eligible for an earn-out of up to €650,000 based on pre-established growth targets to be attained over a three-year period.

In December 2022 we issued convertible debentures with a face value of \$1,655,850 to repay a like amount of maturing debentures. These debentures bear interest at a rate of 10 percent and expire in December 2024. Interest is to be paid annually in arrears in cash. As with the debentures issued in February and March 2023, the debentures have a conversion price of \$3.00 if converted by the holder and \$4.50 if forced by the company. Insiders of the company purchased \$489,450 of these debentures. An additional \$1,448,000 debentures matured in December 2022 and early January 2023 and were repaid in cash in January 2023.

## Operations

As our strategy has evolved, we have repositioned our healthy and organic fruits and vegetables platform shifting from an asset heavy, single revenue stream business model to an asset lighter, multi-stream business model. In doing so we exited Company-owned growing, processing and packaging operations that existed at the time, all in favor of strategic sourcing arrangements with grower partners in Europe, North and South America, Africa, Asia and others and third-party processing and packaging arrangements with globally positioned strategic partners. While we have realized strong sales and margin growth dollar growth, combined with the acquisition of a number of complimentary businesses, we have not been successful in translating this growth into profitable bottom-line contribution. As a result, in June 2024 we announced the sale of three European operating subsidiaries in an effort to streamline and simplify operations, refocus our go-to-market strategy and improve both our balance sheet and path to profitability. In hand with this, we continue to pursue new strategic supply sources around the globe as we work to complete year-round supply of our core product offerings and also bring new complementary products to our existing portfolio. We have also continued to develop our strategic customer base and also our branded products portfolio including our "I AM Organic" brand, our "Awesome" Fruits brand and our ORO brand.



In February and March 2023, we completed convertible debenture financings for total proceeds of \$1,033,000 and announced that proceeds from these financings would be used to finance our planned business development initiatives and general working capital purposes. The actual use of proceeds to March 31, 2024 was:

	<u>(\$)</u>
Issue costs	61,980
Collateral for hedging program	69,187
	<u><b>131,167</b></u>

The remainder of the proceeds were used in our operations. \$11,780 of the cash used as collateral for our hedging program was returned to us in 2024.

In November 2021, we completed equity and convertible debenture financings for total proceeds of \$13,998,060 and announced that proceeds from this financing would be used to finance Organto's planned business development initiatives plus capitalize on further growth opportunities. The actual use of the proceeds to March 31, 2024 was:

	<u>(\$)</u>
Issue costs	956,627
Interest on convertible debentures	960,299
Repay maturing convertible debentures	1,448,000
Purchase of BeeOrganic	855,000
Purchase of New Fruit Group	361,425
	<u><b>4,581,351</b></u>

The remainder of the proceeds were used in our operations and to fund investments in brand development, personnel and related costs to support the growth of our business.

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

	<u>(\$)</u>
Settle short-term loans	295,954
Purchase Fresh Organic Choice	230,475
Pay interest	198,319
	<u><b>724,748</b></u>

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

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

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

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

## **FINANCIAL RESULTS**

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

### **Critical Accounting Estimates**

The preparation of financial statements in accordance with IFRS is the responsibility of management and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Our management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is a risk of material adjustments to assets and liabilities in future accounting periods include estimates of useful lives of depreciated and amortized assets, the valuation of inventory which includes estimates with regards to the allocation of overhead and determining the net realizable value, assumptions used in determination of the fair value of share-based payments, the valuation of investment securities, the recoverability and measurement of deferred tax assets, and the allocation of the purchase price associated with the acquisition of a business.

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

### **Changes in Accounting Policies and Standards**

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

## Selected Quarterly Information

	Q1 2024 (\$)	Q4 2023 (\$)	Q3 2023 (\$)	Q2 2023 (\$)	Q1 2023 (\$)	Q4 2022 (\$)	Q3 2022 (\$)	Q2 2022 (\$)
Sales	6,667,158	6,213,702	6,383,743	7,581,390	7,503,529	5,466,870	4,547,574	5,109,949
Gross profit	140,158	502,090	549,982	678,804	731,244	219,855	166,126	208,084
Adjusted gross profit *	46,922	445,681	465,777	581,669	736,627	327,082	273,164	278,551
Net income (loss)	(1,491,954)	(7,593,291)	(1,535,041)	(2,251,113)	(2,047,776)	(3,762,854)	(2,057,945)	(2,678,625)
Income (loss) per share:								
Basic and diluted	(0.06)	(0.27)	(0.05)	(0.09)	(0.07)	(0.14)	(0.08)	(0.11)
Comprehensive income (loss)	(1,500,271)	(7,516,744)	(1,571,219)	(2,299,528)	(2,040,285)	(3,723,551)	(2,074,919)	(2,834,505)
* Adjusted gross profit:								
Gross profit	140,158	502,090	549,982	678,804	731,244	219,855	166,126	208,084
Realized hedging gain (loss)	(93,236)	(56,409)	(84,295)	(97,135)	5,383	107,227	107,038	70,467
Adjusted gross profit	46,922	445,681	465,777	581,669	736,627	327,082	273,164	278,551

	Mar 31, 2024 (\$)	Dec 31, 2023 (\$)	Sep 30, 2023 (\$)	Jun 30, 2023 (\$)	Mar 31, 2023 (\$)	Dec 31, 2022 (\$)	Sep 30, 2022 (\$)	Jun 30, 2022 (\$)
Cash	272,428	186,295	272,877	715,280	2,045,985	5,769,979	6,881,565	8,422,166
Total assets	6,448,997	6,916,432	8,347,428	10,511,327	12,507,667	11,370,521	15,143,370	16,405,386
Total non-current financial liabilities	1,196,397	1,712,944	9,336,311	9,200,595	9,035,126	7,457,698	6,755,261	6,085,640

## Review of Financial Results – First Quarter

We reported a net loss of \$1,491,954 during the first quarter of 2024, compared to a net loss of \$2,047,776 during the same quarter in the prior year. Sales decreased approximately 11% versus the first quarter of the prior year with sales in businesses retained following the sale of subsidiaries in June 2024 increasing approximately 22% versus the prior year, offset by declines in businesses that were sold of approximately 37%. Gross profit decreased to 2.1% of sales versus 9.7% in the same quarter in the prior year before the impact of our currency hedging programs, driven by difficult market conditions in the organic avocado category, difficult supply challenges in herbs and other vegetables and foreign currency fluctuations. Adjusted gross profit accounting for the impact of our foreign currency hedging programs was 0.7%. Selling, general and admin costs decreased from 11% of sales to 9% of sales while labour costs decreased from 14% of sales to 10% of sales and management fees decreased to 2% of sales versus 3% of sales. We had both realized and unrealized gains related to our investment securities totalling \$10,574 as well as realized and unrealized gains totalling \$415,401 related to our derivative liabilities. The debentures whose interest was payable in 2024, but which we did not pay, have been accreted to their face value with a one-time increase of \$88,285 reported in interest and accretion expense.

Sales for the three months ended March 31, 2024 were \$6,667,158 as compared to \$7,503,529 during the same period in the prior year, a decrease of approximately 11%, or 12% when adjusted for changes in currency rates year over year. While sales were up approximately 22% in businesses retained following the sale of subsidiaries in June 2024, businesses which were sold declined approximately 37% due to a combination of difficult market dynamics in certain categories such as organic avocado, supply of certain products due to geopolitical factors, loss of key customers in the subsidiaries subsequently sold and plus the impact of working capital shortages.

We realized a quarterly gross profit of \$140,158 or 2.1% of sales in the first quarter of 2024 as compared to a gross profit of \$731,244 and 9.7% during the same quarter of the prior year. In order to protect expected gross margins from currency fluctuations, we hedge currencies for certain product categories where either the supply or sales commitments are fixed in foreign currencies. In the first quarter, we realized a loss on derivative liabilities from our hedging program of \$93,236, which while related to product purchases, is reported separately in our financial statements. Including this loss, adjusted gross profit was \$46,922 or 0.7% of sales versus 9.8% in the first quarter of 2023. The decrease in gross profit in the first quarter of 2024 versus 2023 was primarily due to difficult market conditions in certain categories such as organic avocado, supply challenges on organic herbs and vegetable products traditionally sourced from Israeli suppliers that needed to be sourced from alternate supply sources, a shift in customer mix to lower margin customers and the impact of foreign currency fluctuations. The gross profit realized in the businesses retained following the sale of

subsidiaries was approximately \$280,000 which was offset by the approximate \$140,000 negative gross margin of the subsidiaries sold.

Selling, general and administration expenses were \$576,261 or 9% of sales this quarter as compared to \$813,949 or 11% of sales in the same quarter of the prior year. Costs decreased in 2024 versus the prior year as we began to see the effects of newly implemented cost reduction strategies including a realignment and rationalization of spending priorities, a shift in go-to-market strategy leading to reduced marketing related expenses, and reduced investment in infrastructure.

Management fees in the current quarter were \$149,706 compared to \$250,070 recorded in the same quarter of the prior year. Management fees decreased as certain officers waived or reduced their fees. In addition to certain officers waiving their fees, other officers have also agreed to delay payment of their fees until operating economics improve.

Labour costs and benefits during the first quarter were \$695,262, a decrease versus \$1,032,293 recorded in the same quarter of the prior year. The decrease in labour costs is due to the re-organization of our operating units we undertook in order to reduce labour and other costs as well as to improve efficiencies.

We recognized \$79,002 in stock-based compensation in the first quarter of 2024 which consists of \$23,125 for restricted share units and \$55,877 for stock options. Stock-based compensation for the first quarter of 2023 totaled \$185,452 and consisted of \$62,292 for restricted share units and \$123,161 for stock options. Stock based compensation for restricted share units is based on the market value of our shares on the day the restricted share units are granted. Stock based compensation for stock options is an estimate of the value of the stock options we have issued and is calculated using the Black-Scholes option pricing model which requires the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore does not necessarily provide a reliable single measure of the fair value of our stock options granted and/or vested during the period. Stock based compensation for stock options in the first quarter of 2023 was based on fair values of \$0.22 - \$2.53 per share for options granted in 2020 through 2023. No stock options or restricted share units were granted in the first quarter of 2024.

Net interest and accretion expense for the first quarter of 2024 was \$416,940 as compared to \$347,201 for the first quarter of 2023. Interest consists of interest on our convertible debentures, short-term loans, office and warehouse leases as well as accounts receivable factoring costs. Accretion in 2024 consists of accretion on the convertible debentures and the New Fruit Group earn-out and promissory note liabilities. The debentures whose interest was payable in 2024, but which we did not pay, have been accreted to their face value and this one-time charge of \$88,285 has been included in interest and accretion expense for the first quarter of 2024. Accretion in 2023 consisted of accretion on the convertible debentures and the earn-out payments accrued in relation to the Fresh Organic Choice and BeeOrganic acquisitions. Interest expense in the first quarter of 2024 was offset by \$304 of interest income. See "Liquidity and Capital Resources" for further information.

During the first quarter of 2024 we sold 540,000 shares of Xebra Brands and realized a gain of \$7,855. At March 31, 2024 we revalued the shares of Xebra Brands that we still owned and recorded an unrealized gain of \$2,719 for the first quarter of 2024. The shares we own are no longer subject to any trading restrictions and their carrying value represents their market value. In the first quarter of 2023 we recognized an unrealized valuation gain of \$27,463. Subsequent to the first quarter we sold the balance of shares in Xebra Brands that we still owned.

In order to hedge our exposure to fluctuations in the US dollar versus Euro exchange rate, we have a hedging facility with a European financial services company for forward currency exchange contracts. The difference between the cost to acquire US dollars through the forward currency exchange contracts and the spot market at the time of purchase has been recorded as a realized loss on derivative assets and liabilities in the first quarter of 2024 of \$93,236 (2023 – gain of \$5,383). These forward currency exchange contracts were used exclusively for product purchases and any gains or losses realized, and while reported separately as realized gains or losses on derivative assets or liabilities, are designed to offset our reported cost of sales.

The carrying value of the derivative assets and liabilities represent the difference between the cost to acquire US dollars on the spot market and through the forward currency exchange contracts. At March 31, 2024 these contracts required us to purchase US dollars for more than if we were to acquire them on the spot market resulting in the recognition of a derivative liability. This liability decreased from December 31, 2023 which resulted in an unrealized gain of \$322,165 for the first quarter of 2024 (2023 – unrealized loss of \$146,614).

Foreign exchange gains and losses may arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. We reported a foreign exchange gain of \$45,556 this quarter as compared to a loss of \$30,709 during the same quarter last year. A portion of our cash balance is held in Euros and US dollars, and some of our accounts payable are

denominated in currencies other than the currency used to pay these accounts and fluctuations in the exchange rates of these currencies will result in gains or losses.

### Liquidity and Capital Resources

At March 31, 2024, we had cash of \$272,428 and a working capital deficiency of \$17,950,578 as compared to cash of \$186,295 and a working capital deficiency of \$16,258,529 as at December 31, 2023. In addition to the cash available for use in everyday operations, we had \$69,172 held in an account with the provider of our hedging program as collateral to partially cover the negative market value of our forward currency exchange contracts. After March 31, 2024, \$59,650 was recovered and returned to us. The remainder of the funds in this account will either be returned in full if the market value of the forward currency contracts turns positive or on a pro-rata basis when drawing down the contracts.

During the first quarter of 2024 we received US\$30,000 from a director, and other shareholders provided US\$142,143 and \$465,000 in interest bearing loans. These loans are unsecured, had a term of one year and bear interest at 12%.

We have not paid the interest on our convertible debentures that became payable in November 2023, December 2023, February 2024 and March 2024. At March 31, 2024 this amounted to \$1,173,588. See "Convertible debenture restructuring" in PROPOSED TRANSACTIONS.

We began leasing warehouse facilities in January 2023 and the lease has a term of two years with monthly cost of €8,820. We began leasing office facilities in October 2023 from a related party and the lease has a term of five years with monthly cost of €10,800 with annual inflation increases beginning after one year. We made payments of \$86,013 in the first quarter of 2024 for these leases.

As part of the consideration paid to acquire 100% of NFG, we issued 225,000 common shares in May 2023. These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next five years.

Subsequent to March 31, 2024, we received \$1,233,027 in proceeds from short-term loans and \$740,160 in advance of a private placement planned for the fourth quarter of 2024. The loans are unsecured and bear interest at 12% and have a term of one year, at which time principal and interest become payable. During the same period, we repaid \$774,710 of short-term loans.

In April 2024 we completed a private placement of 5,750,000 common shares at a price of CDN \$0.10 per share for proceeds of CDN \$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.

In August 2023, two of our European subsidiaries established accounts receivable factoring facilities with a European financial institution for a combined total of up to Euro 750,000 and we were required to guarantee our European subsidiaries' obligations under the facilities. Under these factoring facilities, our subsidiaries are required to maintain credit insurance for those customers whose accounts are factored and pledge any and all proceeds received under this insurance to the European bank. Any factored accounts receivable currently incur interest at 6.75%

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

### Outlook

Our results for the first quarter of 2024, as well as for fiscal 2023, were less than expected as we were unable to turn realized sales and gross profit into profitable operating results. As a result, we have undertaken a restructuring of our business focused on:

- i. Streamlining and simplifying operations,
- ii. Improving our path to profitability, and
- iii. Reducing the level of debt on our balance sheet.

In June 2023 we completed a reorganization of operations streamlining/reducing personnel and shifting our go-to-market focus from demand pull to source push. In doing so we were able to reduce our operating overheads by approximately \$3,000,000 on an annual basis.

In March 2024 we announced that we reached an agreement with the holders of the \$8,050,000 November 2026 series of convertible debentures under which the holders agreed to convert \$4,025,000 of the principal amount of debentures into common shares at a

price of \$0.30 per common share. Work continues to finalize the agreements with debenture holders, and we expect to apply for TSXV approval shortly after the FFCTO is rescinded. We continue to pursue options to reduce our current debt levels

In June 2024 we sold three of our wholly owned Dutch operating subsidiaries as part of our efforts to continue to reposition our business and strengthen our balance sheet. The subsidiaries sold were: Organto Europe BV, Fresh Organic Choice BV; and BeeOrganic BV. In selling these subsidiaries we reduced the liabilities on our balance sheet and significantly streamlined our operations. We have continued our fresh fruit and vegetable product operations and the NFG New Fruit Group GmbH and I AM Organic BV have become our key operating entities focusing on organic, fairtrade and non-GMO bananas, avocados, ginger, mangos and blueberries.

In April 2024 we completed a private placement of 5,750,000 common shares at a price of CDN \$0.10 per share for proceeds of CDN \$575,000 with one director of the Company having purchased 5,150,000 common shares. The proceeds were used to repay several of the short-term loans and for working capital.

Since March 31, 2024, we have received \$1,233,027 in proceeds from short-term loans and \$740,160 in advance of a private placement planned for the fourth quarter of 2024. These funds are intended to support our operations and position the Company for future growth.

With our business restructured we believe we have a clear path to EBITDA (earnings before interest, taxes, depreciation and amortization) positive operations in 2025, with sales in excess of \$35 million on a streamlined and simplified cost base. In hand with continued growth in fresh healthy and organic fruit and vegetable products, we also intend to pursue growth in different geographic markets and also in the non-fresh and consumer products sectors.

### Financial instruments

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

<b>Financial instrument</b>	<b>Basis of measurement</b>	<b>Associated risks</b>	<b>Fair value at March 31, 2023 (\$)</b>
Cash	Fair value through profit or loss	Credit, currency and concentration	272,428
Restricted cash	Fair value through profit or loss	Credit, currency and concentration	69,172
Accounts receivable	Amortized cost	Credit, currency and concentration	2,135,498
Grower advances	Amortized cost	Credit, currency and concentration	543,899
Investment securities	Fair value through profit or loss	Other price	6,070
Derivative liabilities	Fair value through profit or loss	Currency	(78,032)
Accounts payable	Amortized cost	Currency	(9,324,645)
Factored accounts receivable	Amortized cost	Credit, currency and concentration	(476,764)
Short-term loans	Amortized cost	Currency	(1,233,084)
Promissory note	Amortized cost	Currency	(155,095)
Convertible debentures	Amortized cost	n/a	(10,738,850)
			<b>(18,979,403)</b>

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

IFRS 7, *Financial Instruments: Disclosure* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Our financial instruments are exposed to certain financial risks. The risk exposures and the impact on our financial instruments at March 31, 2024 are summarized below. The Board of Directors reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

(a) Credit risk

Credit risk is the risk that we will incur a loss due to a customer or third party failing to discharge their obligation due to the Company.

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

(b) Liquidity risk

Liquidity risk arises from our general and capital financing needs. We manage liquidity risk by attempting to maintain sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. At March 31, 2024, we had a working capital deficiency of \$17,950,578 (December 31, 2023—\$16,258,529). Liquidity risk is assessed as high.

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

(c) Currency risk

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

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

Certain of our short-term loans are denominated in US dollars and any decrease in the value of the Canadian dollar versus the US dollar increases the amount to be repaid in Canadian dollars.

(d) Other price risk

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

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

*Sensitivity Analysis*

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

As our functional currency is the Canadian Dollar, where foreign currency transactions such as the US Dollar, European Euro, Argentine Peso, Mexican Peso and Guatemalan Quetzal are converted into Canadian Dollars, changes in exchange rates between these currencies may have an effect on our profit or loss and equity. A +/- 10% change in the exchange rate between those currencies and the Canadian Dollar can affect net income by approximately \$80,400.

*Capital Management*

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

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

We manage the capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and investments.

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

### Related Party Transactions

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

Related party	Nature of transactions
Brandal B.V. <sup>(1)</sup>	Management fees
Bromley Consulting & Advisory Inc. <sup>(2)</sup>	Management fees
Everrest B.V. <sup>(3)</sup>	Marketing services
Share! Marketing & Management Services BV <sup>(1)</sup>	Administrative services, office lease payments
Rokho Pte Ltd. <sup>(4)</sup>	Management fees
Thibaudier Financial Consulting BV <sup>(5)</sup>	Management fees
TLG Growth Capital Corp. <sup>(6)</sup>	Management fees
ZMS B.V. <sup>(1)</sup>	Product purchases

<sup>(1)</sup> A company controlled by Rients van der Wal, Co-Chief Executive Officer & CEO Organto Europe BV

<sup>(2)</sup> A company controlled by Steve Bromley, Co-Chief Executive Officer & President

<sup>(3)</sup> A company controlled by Joost Verrest, Director

<sup>(4)</sup> A company controlled by Bob Kouw, Chief Operating Officer, Global Operations

<sup>(5)</sup> A company controlled by Peter Thibaudier, Chief Financial Officer, Operations, no longer a related party as of January 1, 2024.

<sup>(6)</sup> A company controlled by John Rathwell, Senior Vice President, Investor Relations and Corporate Development

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

(a) Directors and key management personnel compensation:

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

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

(b) Transactions with related parties:

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



(c) Outstanding balances payable (receivable):

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

### Commitments

At March 31, 2024 we had entered into agreements which call for minimum payments as follows:

	<b>Within 1 year</b>	<b>Between</b>	<b>After 5 years</b>	<b>Total</b>
	(\$)	1 and 5 years	(\$)	(\$)
		(\$)		
Management fees	242,542	-	-	242,542
Administration services	2,195	-	-	2,195
Labour and benefits	260,207	-	-	260,207
Property lease	346,397	607,445	157,257	1,111,100
Forward currency exchange contracts	4,719,329	-	-	4,719,329
	<b>5,570,670</b>	<b>607,445</b>	<b>157,257</b>	<b>6,335,373</b>

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

In December 2022 one of our European subsidiaries signed a lease for warehouse space with an effective start date of January 1, 2023 and a term of two years with a monthly cost of €8,820. In October 2023 one of our European subsidiaries signed a lease with a related party for office space with an effective start date of October 1, 2023 and a term of five years with a monthly cost of €10,800 with annual inflation increases beginning after one year.

### **OFF-BALANCE SHEET ARRANGEMENTS**

During the quarter ended March 31, 2024 and up to the date of this report, we had no off-balance sheet transactions.

### **PROPOSED TRANSACTIONS**

#### *Convertible debenture restructuring*

In March 2024 we reached a preliminary 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 we have the option to force conversion if our 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 owed to our 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 will remain unchanged at 10%.

Work continues to finalize the agreements with debenture holders, and we expect to apply for TSXV approval shortly after the FFCTO is rescinded.

#### *Sale of subsidiaries*

In June 2024 we sold three of our wholly owned Dutch operating subsidiaries to an independent third-party purchaser (“Purchaser”), as part of our efforts to reposition our business and strengthen our balance sheet. The subsidiaries sold (“Sale Subsidiaries”) were: Organto Europe BV, Fresh Organic Choice BV; and BeeOrganic BV. The Purchaser acquired all the outstanding shares in the capital of each of the Sale Subsidiaries for Euro 1 and assumed all of the Sale Subsidiaries’ assets and liabilities. We have continued operations and NFG New Fruit Group GmbH has become our key operating entity focusing on organic and non-GMO bananas, avocados, ginger and mangos.

#### *Private placement*

The Company received US\$100,000 in February 2024, \$468,000 in September 2024 and US\$200,000 in October 2024 in advance of a private placement planned for the fourth quarter of 2024. Proceeds from the private placement will be used to repay short term loans payable and for general working capital purposes.

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

## **RISKS AND UNCERTAINTIES**

### **Risk factors**

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

### **Risks Related to Our Business**

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

We commenced business in November 2015 and since that time we have built out our operating platform and generated approximately \$97.1 million in revenues and losses of approximately \$60.3 million. We are subject to many of the risks common to early-stage enterprises, including costs associated with building out an operating platform prior to volumes and margins coming to scale, undercapitalization, cash shortages, and limitations with respect to personnel, financial, and other resources. There is no

assurance that we will be successful in establishing a long-term customer base, that consumers will continue to purchase our products, that our strategic supply partners will continue to supply us, that our branded product will be successful, or that we will be able to generate sales and margins sufficient to cover our operating costs. Our ability to achieve a return on shareholders' investment and the likelihood of its success must be considered in light of the company's stage of operations and history of operating losses. Our independent auditors have added an explanatory paragraph to their audit opinion issued in connection with our financial statements for the years ended December 31, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015 with respect to our ability to continue as a going concern. As discussed in Note 1 to our financial statements for our most recently completed year, we have generated operating losses since inception and additional financing will be required to realize our long-term plans, which together raises doubt about our ability to continue as a going concern.

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

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

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

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

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

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

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

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

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

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

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

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

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

*Consumer food preferences are difficult to predict and may change.*

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

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

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

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

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

*We are subject to transportation risks.*

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

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

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

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

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

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

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

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

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

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

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

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

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

*The Russia/Ukraine and Israel/Palestinian wars have significantly impacted worldwide economic conditions and could have a material effect on our business and resulting financial condition.*

Our business and financial results may be negatively impacted by the Russia/Ukraine and Israel/Palestinian wars, plus the potential for similar conflicts in other regions, including causing volatility in customer demand for our products, changes in consumer behavior and preference, disruptions in our global supply chain operations, disruptions to our business expansion plans, limitations on our employee and service provider's ability to work and travel, significant changes in the economic conditions in markets in which we operate and related currency and commodity volatility, and pressure on our liquidity. Despite our efforts to manage these impacts, they also depend on factors beyond our knowledge or control, actions taken by various government institutions and the long-term impact of economic sanctions imposed by various countries around the world. As a result, we cannot reasonably estimate the full impact of these wars on our business and financial results, but the impact could be material and last for an extended period of time.

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

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

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

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

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

As a result of past business acquisitions, a part of our total assets includes intangible assets. We are required to perform impairment tests of long-lived assets and goodwill annually, or at a time when events occur that could affect the value of these assets. We may engage in additional acquisitions, which could result in our recognition of additional long-lived assets and goodwill. If the financial performance of the acquired business does not meet our expectations, we could be required to record impairments to long-lived assets or goodwill, which could materially and adversely impact our business, financial condition and results of operations.

### **Risks Related to Ownership of Our Securities**

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

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

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

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

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

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

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

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

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

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

## **DISCLOSURE AND INTERNAL CONTROLS**

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

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

Management regularly evaluates the effectiveness of our internal controls and as of March 31, 2024 have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company in a timely manner.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

## CORPORATE INFORMATION

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