Organto Foods Inc.
410-1111 Melville
Vancouver, BC V6E 3V6
Canada
www.organto.com

# ORGANTO FOODS INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**For the Year Ended**
**December 31, 2023**

**(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 year ended December 31, 2023. 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 and our website at 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 December 31, 2023.

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 8, 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 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 investment in securities of a cannabis business indirectly exposes us to risks associated with laws and regulations governing cannabis, which are still developing in many parts of the world, and could have an impact on our plans to realize a return on our investment;
- 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 and non-GMO fruit and vegetable products focused on serving socially responsible and health-conscious consumers around the globe. Our purpose is "to bring healthy and nutritious fresh 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 fresh 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 fresh organic fruit and vegetable products available for every consumer".

We employ a business model that links growers with premium end markets using our "field to the table" expertise. Driven by consumer and retailer demand for healthy and organic food products, we have built out a platform to deliver value-added branded, private label and bulk distributed products to meet these needs via an integrated business model with diverse sourcing, logistics, processing, packaging, distribution and marketing capabilities. Our objective is to provide year-round product supply for many of our products and complete traceability from the table 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-light, 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, expanded our organic and non-GMO (genetically modified organism) food's portfolio with the addition of a variety of organic and non-GMO fruits and vegetables and packaging formats, and increased our go-to-market channels to include branded, private label and bulk distributed product offerings. This product and channel expansion has increased our revenue streams and our presence in key markets, while at the same time deepening our relationships with strategic third-party supply partners. In addition, as part of our strategy we expanded our product portfolio and markets served and have completed a number of acquisitions.

We believe that the demand for healthy and organic foods will continue to grow and supply availability will be an important factor to this growth being realized. 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. Today the European Union is the second largest market for organic products behind only the United States. Globally European countries account for the highest share of organic food sales as a percentage of total food sales, with demand for organic foods increasing around the globe. 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, and another 4.2% in 2022 to US$ 61.7 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 approximately 15% of all the produce that Americans eat, and approximately 36% of the total US organic foods spend. And this is not just a US phenomenon.

It is our belief in these growing markets and consumer trends, combined with our objective of building an efficient year-round supply chain platform and branded product capabilities for many of our products that underlies our strategic focus and our vision of being a leading global provider of fresh organic fruit and vegetable products utilizing an integrated asset-light business model, serving a growing socially responsible and health-conscious consumer around the globe.

In 2021 and 2023 we completed a number of acquisitions intended to expand our product platform and customer and supplier base and in doing so continue the growth of our business. 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 fresh 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: *Build Supply and Product Offerings, Build Brands and Build Infrastructure*.

* *Build Supply and Product Offerings* – development of efficient and reliable year-round integrated supply chain capabilities to expand our product portfolio and drive sales and gross margin growth; and
* *Build Brands* – building our branded products portfolio to meet retailer and consumer preferences and drive sales and gross margin growth; and
* *Build Infrastructure* – responsibly building-out 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 to drive both market expansion and efficiencies.

In hand with our private label and bulk distributed product capabilities, we have developed a branded go-to-market strategy for our organic and non-GMO 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, utilizing our digital passport technology that we believe is unique to the industry. Our ability to drive a differentiated branded products strategy for our organic fruit and vegetable product offerings is based on our year-round supply capabilities and our intention to provide a differentiated value-added 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 focus, we also work with retail and distribution partners to provide value-added private label and bulk distributed offerings, with the objective of maximizing supply chain and operating efficiencies while creating category demand for our brands. Our organic and non-GMO foods 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 organic and non-GMO fresh 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. Xebra is a Canadian cannabis company developing high-margin cannabis-based consumer products with a stated first mover advantage in Mexico. Xebra's common shares were listed on the Canadian Securities Exchange in October 2021 under the trading symbol XBRA. Our stated focus is to liquidate our holdings in Xebra, when appropriate, to fund the continued expansion of our organic and non-GMO foods platform.

In January 2021 we acquired the shares of Fresh Organic Choice BV ("FORC"), a privately held Dutch corporation, representing the first acquisition under our multifaceted growth strategy. 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 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 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 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 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 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 December 31, 2023:

| | October 8, 2024 | December 31, 2023 |
|---|---|---|
| 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 2024 we received $468,000 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 granted, on May 1, 2024, a management cease trade order, which has been revoked and replaced by the FFCTO. The delay in filing the annual filings was a result of a change in Company personnel in late 2023 and other unexpected delays. Together with our auditors, we continued working to complete the audit and we believe the FFCTO will be rescinded shortly after the filing of the annual and quarterly filings.

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 with the holders of the $8,050,000 November 2026 series of convertible debentures under which the holders will convert $4,025,000 of the principal amount of debentures into common shares at a price of $0.30 per common share. The maturity date of the remaining principal balance will be extended such that $2,012,500 will mature in November 2027 and $2,012,500 will mature in November 2028. The interest that was originally due to be paid in the fourth quarter of 2023 will be deferred such that $322,000 is payable in November 2027 and $322,000 is payable in November 2028. The interest rate remains unchanged at 8% as do the 2024, 2025 and 2026 scheduled interest payments. The conversion price has been changed to $0.60 per common share and the 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 remains unchanged at 10%.

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 bear interest at 12% and together with accrued interest, 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 is on organic and non-GMO bananas, 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 and vegetable experience. We believe there are opportunities to leverage Organto's infrastructure, broad product portfolio, branded "I AM Organic" product, and proprietary digital passport capabilities to further expand NFG's sales. 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 will be 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 will 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 organic and non-GMO fruits and vegetables platform shifting from an asset heavy, single revenue stream business model, to an asset light, multi-stream business model. We believe we have made progress in this regard, exiting Company-owned growing, processing and packaging operations, 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, we have not been successful in translating this growth into profitable bottom-line contribution. As a result, in June 2024 we announced the sales 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 branded products portfolio including our "I AM Organic" brand that was launched late in 2021, our "=Awesome" Fruits brand which as launched in January 2023 and our ORO brand which was launched in July 2023.

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 December 31, 2023 was:

| | ($) |
|---|---|
| Issue costs | 61,980 |
| Collateral for hedging program | 69,187 |
| | **131,167** |

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 December 31, 2023 was:

| | ($) |
|---|---|
| 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 |
| | **4,581,351** |

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:

| | ($) |
|---|---|
| Settle short-term loans | 295,954 |
| Purchase Fresh Organic Choice | 230,475 |
| Pay interest | 198,319 |
| | **724,748** |

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:

| | ($) |
|---|---|
| Settle bank loan | 677,500 |
| Settle short-term loans | 567,386 |
| Settle accounts payable | 84,600 |
| Pay interest | 297,232 |
| | **1,626,718** |

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 revenues 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 Annual Information

The following information is for the years ended December 31, 2023, 2022 and 2021:

| | 2023 ($) | 2022 ($) | 2021 ($) |
|---|---|---|---|
| Sales | 27,682,321 | 22,124,257 | 19,518,647 |
| Gross profit (loss) | 2,462,120 | 1,264,667 | 1,986,630 |
| Adjusted gross profit * | 2,229,754 | 1,560,971 | 1,986,630 |
| Net income (loss) | (13,427,221) | (10,828,211) | (6,340,664) |
| Income (loss) per share | | | |
| Basic and diluted – continuing operations | (0.47) | (0.39) | (0.20) |
| Basic and diluted – discontinued operations | - | - | - |
| Comprehensive income (loss) | (13,427,776) | (11,094,466) | (6,397,088) |
| | | | |
| * Adjusted gross profit: | | | |
| Gross profit | 2,462,120 | 1,264,667 | 1,986,630 |
| Realized hedging gain (loss) | (232,366) | 296,304 | - |
| Adjusted gross profit | 2,229,754 | 1,560,971 | 1,986,630 |
| | | | |
| Total assets | 6,916,432 | 11,370,521 | 20,959,939 |
| Total non-current financial liabilities | 1,712,944 | 7,457,698 | 5,886,227 |
| Cash dividends declared | - | - | - |

## Review of Financial Results – Current year

We reported a net loss of $13,427,221 for the year ended December 31, 2023, compared to a net loss of $10,828,211 during the prior year. Sales increased approximately 25% versus the prior year. Gross profit increased to 8.9% of sales versus 5.7% in 2022, before the impact of our currency hedging programs. Compared to 2022, selling, general and admin costs decreased from 13% of sales to 12% of sales, labour costs decreased from 15% of sales to 13% of sales and management fees decreased from 5% of sales to 3% of sales. We also had both realized and unrealized losses related to our investment securities of $81,693 and realized and unrealized losses on derivative liabilities of $675,957 offset by gains from insurance claims and on the settlement of debt. We took a conservative approach when reviewing our grower advances and impaired their carrying value by $2,147,827 due to the uncertainty of determining when they would be recovered. Impairment charges were also reported on the carrying values of the intangible assets acquired when we purchased BeeOrganic in 2021 and on previously capitalized software development costs totalling $533,115. The debentures whose interest was payable in 2023, but which we did not pay, have been accreted to their face value with a one-time cost of $1,947,088 reported in interest and accretion expense.

Sales for the year ended December 31, 2023 were $27,682,364 as compared to $22,124,257 during the same period in the prior year, an increase of approximately 25%, or approximately 18% when adjusted for changes in currency rates year over year. These results were driven by the acquisition of the New Fruit Group early in the year and offset somewhat by challenges in certain core categories due to weather-related factors, changes in import regulations which essentially eliminated imports of organic asparagus into parts of the EU d also limited organic ginger imports, and our decision to reduce exposure to volatile categories including avocado. Sales were also negatively affected by working capital challenges we experienced in the back half of the year.

We realized a gross profit of $2,462,120 or 8.9% of sales in the year ended December 31, 2023 as compared to a gross profit of $1,264,668 and 5.7% during 2022. 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 year ended December 31, 2023, we realized a loss on our hedging program of $232,366, which while related to product purchases, is reported separately in our financial statements. Including this loss, adjusted gross profit was $2,229,754 or 8.1% of sales versus 7.1% in 2022. The improvement in gross profit is the result of actions taken to address challenges experienced in 2022 including supply chain challenges, inflation, currency fluctuations and the impact of the Russia/Ukraine war, though some of these challenges continued to affect our operations in 2023.

Selling, general and administration expenses were $3,365,044 or 12% of sales in 2023 as compared to $2,867,069 or 13% of sales in the year ended December 31, 2022. Costs increased on an absolute dollar basis due to the addition of New Fruit Group's operations in 2023 but decreased on a percentage of sales basis due in part to a significant reorganization and reduction of costs that was implemented near the end of the first half of the year.

Management fees were $912,307 in 2023 compared to $1,004,409 recorded in the year ended December 31, 2022 and reflect waived fees charged by certain officers. In addition to waiving their fees, other officers have also agreed to delay payment of their fees until operating economics improve.

Labour costs and benefits in 2023 were $3,610,236, an slight increase versus the $3,413,401 recorded in the year ended December 31, 2022. Operating personnel were added, not only from the acquisition of New Fruit Group, but also to support increased commercial activities and to develop new products and sales opportunities. We undertook a re-organization of our operating units in the second quarter in order to reduce labour and other costs and improve efficiencies and labour costs began to decrease in the third quarter. A provision of $176,507 for expected severance costs was recorded in other loss in 2023 in the second quarter.

We recognized $657,123 in stock-based compensation in 2023 which consists of $226,841 for restricted share units and $430,282 for stock options. Stock-based compensation for the year ended December 31, 2022 totaled $917,017 and consisted of $198,375 for restricted share units and $718,642 for stock options. Restricted share units are generally issued as compensation for directors who are currently not paid cash fees for their service on our board of directors and for strategic recruitment purposes. Restricted share units were issued in 2023 to a newly hired officer as part of a long-term incentive package. 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 2023 was based on fair values of $0.22 - $3.21 per share for the options granted in 2019 through 2023.

Net interest and accretion expense for 2023 was $3,912,067 as compared to $1,526,439 for the year ended December 31, 2022. Interest consists of interest on our convertible debentures, short-term loans, accounts payable, office and warehouse leases as well as accounts receivable factoring costs. Accretion in 2023 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 2023, but which we did not pay, have been accreted to their face value and this one-time charge of $1,947,088 has been included in interest and accretion expense for 2023. Accretion in 2022 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 2023 was offset by $20,177 of interest income. See "Liquidity and Capital Resources" for further information.

During 2023 we sold 72,901 shares of Xebra Brands and realized a loss of $818. At December 31, 2023 we revalued the shares of Xebra Brands that we still owned and recorded an unrealized loss of $80,875 for 2023. The shares we own are no longer subject to any trading restrictions and their carrying value represents their market value. In 2022 we recognized an unrealized valuation loss of $959,074.

In order to hedge our exposure to fluctuations in the US dollar vs 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 2023 of $232,366 (2022 – gain of $296,304). 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 December 31, 2023 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 and an unrealized loss of $443,591 (2022 – gain of $25,314).

The other loss of $134,905 in 2023 consists primarily of a provision of $189,773 for severance costs resulting from our re-organization that was commenced in the second quarter and $46,021 from the revaluation of the earnout payable to the former owners of NFG. These items were offset by the receipt of $100,889 on an old insurance claim. In 2022 we realized other income of $105,565 from the benefit of a government grant received in late 2022 and the gain we realized when we settled a legal claim in 2022 brought against our subsidiary in Guatemala in 2021 of $24,099.

We recorded an impairment charge in 2023 of $2,680,942 (2022 – 1,916,272). As a result of challenging market dynamics, in 2023 we reduced the unamortized carrying value of the intangible assets acquired in the purchase of BeeOrganic and recognized an impairment charge of $376,901 versus impairment costs in 2022 on intangible assets related to the purchase of various businesses of $1,281,704. Also, in 2022 we contracted with external consultants to design and implement a new reporting software for our European subsidiaries. Due to difficulties experienced while developing this reporting software, development and implementation plans were cancelled in the fourth quarter of 2023 and the previously capitalized development costs of $156,214 were impaired. A reduction in the provision for deferred income taxes which recognizes the non-deductibility of certain intangible assets and goodwill resulted in a recovery of $64,800 (2022 – $66,700). Net of this recovery, the impairment charge on intangible assets was $468,315 (2022 – $1,215,004). We also reduced the carrying value of our short and long-term grower advances as the timing of their recovery could also not be determined with certainty and recognized an impairment charge of $2,147,827 (2022 – $634,568).

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 $53,278 in 2023 as compared to a loss of $113,148 during the year ended December 31, 2022. 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.

## Selected Quarterly Information

| | Q4 2023 ($) | Q3 2023 ($) | Q2 2023 ($) | Q1 2023 ($) | Q4 2022 ($) | Q3 2022 ($) | Q2 2022 ($) | Q1 2021 ($) |
|---|---|---|---|---|---|---|---|---|
| Sales | 6,213,702 | 6,383,743 | 7,581,390 | 7,503,529 | 5,466,870 | 4,547,574 | 5,109,949 | 6,999,864 |
| Gross profit | 502,090 | 549,982 | 678,804 | 731,244 | 219,855 | 166,126 | 208,084 | 670,602 |
| Adjusted gross profit * | 445,681 | 465,777 | 581,669 | 736,627 | 327,082 | 273,164 | 278,551 | 682,174 |
| Net income (loss) | (7,593,291) | (1,535,041) | (2,251,113) | (2,047,776) | (3,762,854) | (2,057,945) | (2,678,625) | (2,328,787) |
| Income (loss) per share: | | | | | | | | |
| Basic and diluted | (0.27) | (0.05) | (0.09) | (0.07) | (0.14) | (0.08) | (0.11) | (0.09) |
| Comprehensive income (loss) | (7,516,744) | (1,571,219) | (2,299,528) | (2,040,285) | (3,723,551) | (2,074,919) | (2,834,505) | (2,461,491) |
| | | | | | | | | |
| * Adjusted gross profit: | | | | | | | | |
| Gross profit | 502,090 | 549,982 | 678,804 | 731,244 | 219,855 | 166,126 | 208,084 | 670,602 |
| Realized hedging gain (loss) | (56,409) | (84,295) | (97,135) | 5,383 | 107,227 | 107,038 | 70,467 | 11,572 |
| Adjusted gross profit | 445,681 | 465,777 | 581,669 | 736,627 | 327,082 | 273,164 | 278,551 | 682,174 |

| | Dec 31, 2023 ($) | Sep 30, 2023 ($) | Jun 30, 2023 ($) | Mar 31, 2023 ($) | Dec 31, 2022 ($) | Sep 30, 2022 ($) | Jun 30, 2022 ($) | Mar 31, 2022 ($) |
|---|---|---|---|---|---|---|---|---|
| Cash | 186,295 | 272,877 | 715,280 | 2,045,985 | 5,769,979 | 6,881,565 | 8,422,166 | 9,542,805 |
| Total assets | 6,916,432 | 8,347,428 | 10,511,327 | 12,507,667 | 11,370,521 | 15,143,370 | 16,405,386 | 18,027,219 |
| Total non-current financial liabilities | 1,712,944 | 9,336,311 | 9,200,595 | 9,035,126 | 7,457,698 | 6,755,261 | 6,085,640 | 5,830,707 |

## Review of Financial Results – Fourth Quarter

| | Three months ended December 31, 2023 ($) | 2022 ($) |
|---|---|---|
| Sales | 6,213,702 | 5,466,870 |
| Cost of sales | (5,711,612) | (5,247,015) |
| Gross profit | 502,090 | 219,855 |
| Selling, general and administrative expenses | (1,165,734) | (916,142) |
| Management fees | (224,609) | (238,986) |
| Labour costs and benefits | (876,834) | (917,048) |
| Stock-based compensation | (127,313) | (231,533) |
| | (1,892,400) | (2,083,854) |
| Interest and accretion, net | (2,615,010) | 180,225 |
| Other income | 54,868 | 150,632 |
| Realized loss on revaluation of investment securities | (818) | - |
| Unrealized loss on revaluation of investment securities | (14,584) | (90,683) |
| Realized gain (loss) on derivative assets/liabilities | (56,409) | 107,227 |
| Unrealized loss on revaluation of derivative assets/liabilities | (456,436) | (211,091) |
| Gain (loss) on settlement of debt | 11,271 | (92,305) |
| Impairment | (2,680,942) | (1,916,272) |
| Recovery of earnout liability | - | 198,274 |
| Foreign exchange gain (loss) | (7,631) | (71,707) |
| Net loss before tax | (7,658,091) | (3,829,554) |
| Recovery of deferred income taxes | 64,800 | 66,700 |
| Net loss | (7,593,291) | (3,762,854) |

We reported a net loss of $7,593,291 during the fourth quarter of 2023, compared to a net loss of $3,762,854 during the same quarter in the prior year. Sales increased approximately 14% versus the fourth quarter of the prior year. Gross profit increased to 8.1% of sales versus 4.0% in the same quarter in the prior year before the impact of our currency hedging programs. Selling, general and admin costs increased from 17% of sales to 19% of sales while labour costs decreased from 17% of sales to 14% of sales and management fees remained at 4% of sales. We also had both realized and unrealized losses related to our investment securities and derivative liabilities as well as gains from insurance claims and on the settlement of debt. We took a very conservative approach when reviewing our grower advances and impaired their carrying value due to the uncertainty of determining when they would be recovered and also reported impairment charges on the carrying values of the intangible assets acquired when we purchased BeeOrganic in 2021 for total impairment charge of $2,680,942 including the costs of previously capitalized software development expenses. The debentures whose interest was payable in 2023, but which we did not pay, have been accreted to their face value with a one-time increase of $1,947,088 reported in interest and accretion expense.

Sales for the three months ended December 31, 2023 were $6,213,702 as compared to $5,466,870 during the same period in the prior year, an increase of approximately 14%, or 8% when adjusted for changes in currency rates year over year. These results were driven by the acquisition of the New Fruit Group early in the year and offset somewhat by challenges on certain core categories in the quarter due to weather-related factors which impacted supply in certain product categories, our decision to reduce exposure in volatile categories such as avocado, supply challenges due to changes in import regulations on products such as asparagus and ginger, plus the impact of working capital shortages in the quarter.

We realized a quarterly gross profit of $502,090 or 8.1% of sales in the fourth quarter of 2023 as compared to a gross profit of $219,855 and 4.0% during the same quarter of the prior year representing an increase in gross profit dollars of over 80%. 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 fourth quarter, we realized a loss on derivative liabilities from our hedging program of $56,409, which while related to product purchases, is reported separately in our financial statements. Including this loss, adjusted gross profit was $445,681 or 7.2% of sales versus 6.0% in the fourth quarter of 2022. The increase in gross profit in the fourth quarter of 2023 versus 2022 was primarily due to the addition of New Fruit Group's operations in 2023.

Selling, general and administration expenses were $1,165,734 or 19% of sales this quarter as compared to $916,142 or 17% of sales in the same quarter of the prior year. Costs in the fourth quarter of 2023 included an increase in the provision for bad debt expense of $289,083.

Management fees in the current quarter were $224,609 compared to $238,986 recorded in the same quarter of the prior year. Fees increased with the addition of a new corporate officer during 2023, though this increase was offset partially as certain officers waived 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 fourth quarter were $876,834, a decrease versus the same quarter of the prior year of $917,048. While operating personnel have been added due to the acquisition of New Fruit Group, we undertook a re-organization of our operating units in order to reduce labour and other costs and improve efficiencies and this re-organization has led to the reduction in labour costs.

We recognized $127,313 in stock-based compensation in the fourth quarter of 2023 which consists of $81,167 for restricted share units and $46,146 for stock options. Stock-based compensation for the fourth quarter of 2022 totaled $231,533 and consisted of $63,646 for restricted share units and $167,887 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 fourth quarter of 2023 was based on fair values of $0.22 - $2.53 per share for options granted in 2020 through 2023.

Net interest and accretion expense for the fourth quarter of 2023 was $2,615,010 as compared to negative $180,225 for the fourth quarter of 2022. A favorable adjustment of $690,122 to the previously expensed accretion in 2022 of the November 2026 series of convertible debentures resulted in a negative interest and accretion expense in the fourth quarter of 2022. Interest consists of interest on our convertible debentures, short-term loans, office and warehouse leases as well as accounts receivable factoring costs. Accretion in 2023 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 2023, but which we did not pay, have been accreted to their face value and this one-time

charge of $1,947,088 has been included in interest and accretion expense for the fourth quarter of 2023. Accretion in 2022 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 fourth quarter of 2023 was offset by $624 of interest income. See "Liquidity and Capital Resources" for further information.

During the fourth quarter of 2023 we sold 72,901 shares of Xebra Brands and realized a loss of $818. At December 31, 2023 we revalued the shares of Xebra Brands that we still owned and recorded an unrealized loss of $14,584 for the fourth quarter of 2023. The shares we own are no longer subject to any trading restrictions and their carrying value represents their market value. In the fourth quarter of 2022 we recognized an unrealized valuation loss of $90,683.

In order to hedge our exposure to fluctuations in the US dollar vs 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 fourth quarter of 2023 of $56,409 (2022 – gain of $107,227). 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 December 31, 2023 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 and an unrealized loss of $456,436 (2022 – $211,091).

Other income in the fourth quarter of 2023 consisted of the proceeds from the resolution of an insurance claim of $100,889 offset by a loss of $46,021 from the revaluation of the earnout payable to the former owners of NFG.

We recorded an impairment charge in the fourth quarter 2023 of $2,680,942 (2022 – 1,916,272). As a result of challenging market dynamics, in 2023 we reduced the unamortized carrying value of the intangible assets acquired in the purchase of BeeOrganic and recognized an impairment charge of $376,901 versus impairment costs in 2022 on intangible assets related to the purchase of various businesses of $1,281,704. Also, in 2022 we contracted with external consultants to design and implement a new reporting software for our European subsidiaries. Due to difficulties experienced while developing this reporting software, development and implementation plans were cancelled in the fourth quarter of 2023 and the previously capitalized development costs of $156,214 were impaired. A reduction in the provision for deferred income taxes which recognizes the non-deductibility of certain intangible assets and goodwill resulted in a recovery of $64,800 (2022 – $66,700). Net of this recovery, the impairment charge on intangible assets was $468,315 (2022 – $1,215,004). We also reduced the carrying value of our short and long-term grower advances as the timing of their recovery could also not be determined with certainty and recognized an impairment charge of $2,147,827 (2022 – $634,568).

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 loss of $7,631 this quarter as compared to a loss of $71,707 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 December 31, 2023, we had cash of $186,295 and a working capital deficiency of $16,258,529 as compared to cash of $5,769,979 and working capital of $2,867,046 as at December 31, 2022. In addition to the cash available for use in everyday operations, we had $69,187 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 December 31, 2023, $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 2023 we received $70,000 from the exercise of stock options and $471,110 in interest-bearing loans from directors and officers of the Company. These loans are unsecured, had a term of one year and bear interest at 12%.

We paid interest on our convertible debentures and factored accounts receivable of $631,961 and received $20,178 in interest income. We repaid $1,448,000 of debentures that matured in late December 2022 and early January 2023 and received $1,001,020 in net

proceeds from convertible debenture financings in February and March 2023. We paid the interest that was payable on the convertible debentures that matured in late December 2022 and early January 2023 but did not pay the interest that became payable in November and December 2023. This interest, together with the interest that became payable in February and March 2024 on other convertible debentures remains unpaid. See "Convertible debenture restructuring "in PROPOSED TRANSACTIONS.

We paid $361,450 to acquire New Fruit Group in January 2023. As part of this acquisition, we assumed their bank loan of $680,508 as well as other net liabilities of $40,345. This bank loan was fully repaid in May 2023 together with accrued interest.

We also invested $19,552 in the development of a new reporting system for our European subsidiaries and made total lease payments of $145,624 for our warehouse and office in Europe. 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.

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 December 31, 2023, we received $1,929,965 in proceeds from short-term loans and $468,000 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 February 2024 we received US$100,000 in advance of a private placement planned for the third quarter of 2024.

In February 2023 we issued 100,000 common shares on the exercise of stock options for proceeds of $70,000 and in July 2023 we issued 20,000 common shares on the exercise of restricted share units.

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 will incur interest at EURIBOR plus 2.4%

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 fiscal 2023 were less than expected as we were unable to turn realized sales and gross profit growth 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 30%.

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. 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 NFG New Fruit Group GmbH has become our key operating entity focusing on organic and non-GMO bananas, avocados, ginger and mangos

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 the end of the year, we have received $1,929,965 in proceeds from short-term loans and during the same period we have repaid $774,710 of short-term loans. We also received $468,000 in advance of a planned private placement intended to fund 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 organic and non-GMO 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.

| Financial instrument | Basis of measurement | Associated risks | Fair value at December 31, 2023 ($) |
|---|---|---|---|
| Cash | Fair value through profit or loss | Credit, currency and concentration | 186,295 |
| Restricted cash | Fair value through profit or loss | Credit, currency and concentration | 69,187 |
| Accounts receivable | Amortized cost | Credit, currency and concentration | 2,363,502 |
| Grower advances | Amortized cost | Credit, currency and concentration | 544,011 |
| Investment securities | Fair value through profit or loss | Other price | 8,750 |
| Derivative liabilities | Fair value through profit or loss | Currency | (400,653) |
| Accounts payable | Amortized cost | Currency | (8,477,036) |
| Factored accounts receivable | Amortized cost | Credit, currency and concentration | (918,551) |
| Government loan | Amortized cost | n/a | (60,000) |
| Short-term loans | Amortized cost | Currency | (463,105) |
| Promissory note | Amortized cost | Currency | (167,452) |
| Convertible debentures | Amortized cost | n/a | (10,650,564) |
| | | | **(17,965,616)** |

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 December 31, 2023 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 December 31, 2023, we had a working capital deficiency of $16,258,529 (December 31, 2022– working capital of $2,867,406). Liquidity risk is assessed as high.

To date, we have been able to address any 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 $741,200.

*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. [1] | Management fees |
| Bromley Consulting & Advisory Inc. [2] | Management fees |
| Everrest B.V [3] | Marketing services |
| Share! Marketing & Management Services BV [1] | Administrative services, office lease payments |
| Rokho Pte Ltd. [4] | Management fees |
| Thibaudier Financial Consulting BV [5] | Management fees |
| TLG Growth Capital Corp. [6] | Management fees |
| ZMS B.V [1] | Product purchases |

[1] A company controlled by Rients van der Wal, Co-Chief Executive Officer & CEO Organto Europe BV
[2] A company controlled by Steve Bromley, Co-Chief Executive Officer & President
[3] A company controlled by Joost Verrest, Director
[4] A company controlled by Bob Kouw, Chief Operating Officer, Global Operations
[5] A company controlled by Peter Thibaudier, Chief Financial Officer, Operations
[6] 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 December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2023 ($) | 2022 ($) | 2023 ($) | 2022 ($) |
| Salaries, consulting and management fees | 235,199 | 242,872 | 920,950 | 1,010,399 |
| Stock based compensation | 108,419 | 188,158 | 565,459 | 707,797 |
| | **343,618** | **431,030** | **1,486,410** | **1,718,196** |

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended December 31, 2023 and 2022.

(b) Transactions with related parties:

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| | 2023 ($) | 2022 ($) | 2023 ($) | 2022 ($) |
| Administrative services | 158,975 | 145,457 | 641,415 | 561,059 |
| Office lease payments | 46,841 | - | 46,841 | - |
| Produce purchases | - | - | - | 206,241 |

(c) Outstanding balances payable (receivable):

| | December 31, 2023 ($) | 2022 ($) |
|---|---|---|
| Salaries, consulting and management fees | 310,147 | 107,019 |
| Interest on convertible debentures | 46,695 | 37,356 |
| Administration services | 117,345 | - |
| Expense reimbursements (advances) | 25,357 | 5,111 |
| Security deposit on office lease | 34,100 | - |
| Advances to suppliers | (544,011) | (516,554) |
| Product sales | - | (21,112) |

## Commitments

At December 31, 2023 we had entered into agreements which call for minimum payments as follows:

| | Within 1 year ($) | Between 1 and 5 years ($) | After 5 years ($) | Total ($) |
|---|---|---|---|---|
| Management fees | 242,560 | - | - | 242,560 |
| Administration services | 2,195 | - | - | 2,195 |
| Labour and benefits | 295,782 | - | - | 295,782 |
| Property lease | 346,468 | 607,570 | 157,290 | 1,111,327 |
| Forward currency exchange contracts | 9,147,365 | - | - | 9,147,365 |
| | **10,034,370** | **607,570** | **157,290** | **10,799,229** |

We have a hedging facility with a European financial services company in order to hedge its exposure to fluctuations in the US dollar vs Euro exchange rate. The facility is for forward exchange contracts, up to a maximum of US$15.8 million in open contracts. As part of this facility, we are required to guarantee the European subsidiary's obligations under the facility.

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 year ended December 31, 2023 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 an agreement with the holders of the $8,050,000 November 2026 series of convertible debentures under which the holders will convert $4,025,000 of the principal amount of debentures into common shares at a price of $0.30 per common share. The maturity date of the remaining principal balance will be extended such that $2,012,500 will mature in November 2027 and $2,012,500 will mature in November 2028. The interest that was originally due to be paid in the fourth quarter of 2023 will be deferred such that $322,000 is payable in November 2027 and $322,000 is payable in November 2028. The interest rate remains unchanged at

8% as do the 2024, 2025 and 2026 scheduled interest payments. The conversion price has been changed to $0.60 per common share and 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 remains unchanged at 10%.

*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*

In September 2024 we received $468,000 in advance of a planned private placement for total expected proceeds of approximately $3.5 million. 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 fresh 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 of 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 effected. 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 $90.4 million in revenues and losses of approximately $58.8 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 branded product launches 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 may require additional capital to fulfill our contractual obligations and continue development of our product offerings and global 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 may dilute common shareholders or place restrictions on our operations.*

If we raise funds by issuing additional equity or convertible debt securities, 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 focusing our business on the procurement, packing, distribution and marketing of value-added 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 increased 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 growing 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 brand, maintain competitive pricing levels, attract strategic third-party growers to cost-effectively supply our operations, manage transportation and delivery logistics, 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 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 branded, private label or bulk distributed 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 operate our 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 he 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 organic 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, 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 is comprised of 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 businesses 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.

*Our investment in a cannabis business indirectly exposes us to risks associated with laws and regulations governing cannabis, which are still developing in many parts of the world, and could have an impact on our plans to realize a return on our investment.*

Our investment exposure in the cannabis industry is governed by laws and regulations specific to various countries around the world. Many of these laws and regulations are still being developed, and dependent on the outcome of these, our ability to realize a profitable return could be impacted.

**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 and additional costs necessitated by ongoing revisions to our disclosure and governance practices.

## 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 December 31, 2023 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.

## CORPORATE INFORMATION

| | |
|---|---|
| Head Office: | 1111 Melville Street<br>Suite 410<br>Vancouver, BC, V6E 3V6 |
| Directors: | Steve Bromley (Chair)<br>Peter Gianulis<br>Jeremy Kendall<br>Alejandro Maldonado<br>Joe Riz (Chair, Audit Committee)<br>Joost Verrest<br>Gert van Noortwijk |
| Officers: | Steve Bromley, Co-Chief Executive Officer & President<br><br>Ralf Langner, Chief Financial Officer & Corporate Secretary<br>John Rathwell, Senior Vice President, Investor Relations and Corporate Development<br>Bob Kouw, Chief Operating Officer, Global Operations |
| Auditor: | DMCL LLP<br>1500 – 1140 West Pender Street<br>Vancouver, BC, V6E 4G1 |
| Legal Counsel: | Cozen O'Connor LLP<br>Suite 2501, 550 Burrard Street<br>Vancouver, BC, V6C 2B5 |
| Transfer Agent: | Computershare Investor Services<br>2nd Floor – 510 Burrard Street<br>Vancouver, BC, V6C 3B9 |