

ORGANTO FOODS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**For the Nine Months Ended
September 30, 2022**

(Stated in Canadian Dollars)

Organto Foods Inc.Condensed Interim Consolidated Statements of Financial Position
(Unaudited - expressed in Canadian Dollars)

	September 30, 2022 (\$)	December 31, 2021 (\$)
Assets		
Current assets		
Cash	6,881,565	11,869,999
Receivables (notes 3 and 16)	2,563,071	3,161,905
Inventories (note 4)	149,522	316,324
Prepaid expenses	26,009	16,667
Grower advances (note 5)	2,875,294	2,699,216
Derivative assets (note 6)	239,045	-
	12,734,506	18,064,111
Non-current assets		
Long-term grower advances (note 5)	407,211	-
Investment securities (note 7)	183,224	1,051,615
Intangible assets (note 8)	1,071,267	1,086,774
Goodwill (note 8)	747,162	757,439
	15,143,370	20,959,939
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10 and 16)	5,179,117	5,693,632
Government loans and grants (note 9)	-	60,000
Convertible debentures (note 10)	3,084,827	2,627,670
	8,263,944	8,381,302
Non-current liabilities		
Government loans and grants (note 9)	400,313	-
Convertible debentures (note 10)	6,223,448	5,754,727
Deferred income taxes (note 8)	131,500	131,500
	15,019,205	14,267,529
Shareholders' equity		
Share capital (note 11(a))	34,842,972	33,854,516
Shares to be issued (note 11(b))	-	797,770
Reserves (note 11(f))	6,911,384	6,604,958
Deficit	(41,630,191)	(34,564,834)
	124,165	6,692,410
	15,143,370	20,959,939

Nature of operations and going concern (note 1)

Commitments (note 19)

Subsequent events (note 20)

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Unaudited - expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Sales (notes 16 and 18)	4,547,574	4,298,282	16,657,387	14,443,506
Cost of sales (notes 12 and 16)	(4,381,448)	(3,769,264)	(15,612,575)	(12,807,686)
Gross profit	166,126	529,018	1,044,812	1,635,820
Selling, general and administration expenses (notes 13 and 16)	(542,958)	(558,968)	(1,950,927)	(1,509,388)
Management fees (note 16)	(231,650)	(236,040)	(765,423)	(703,585)
Labour costs and benefits (note 16)	(839,524)	(650,954)	(2,496,353)	(1,803,121)
Stock-based compensation (notes 11(c), 11(d) and 16)	(229,172)	(154,948)	(685,484)	(760,426)
	(1,677,178)	(1,071,892)	(4,853,375)	(3,140,700)
Interest expense and accretion, net (note 10)	(557,672)	(176,980)	(1,706,664)	(620,833)
Other income (loss) (note 14)	(45,067)	-	(45,067)	49,035
Unrealized gain (loss) on investment securities (note 7)	(77,822)	-	(868,391)	93,411
Realized gain on derivative assets (note 6)	107,038	-	189,077	-
Unrealized gain on revaluation of derivative assets (note 6)	186,686	-	236,405	-
Gain (loss) on settlement of debt (note 15)	24,099	(696,879)	24,099	(696,879)
Foreign exchange gain (loss)	(18,029)	(2,414)	(41,441)	(35,721)
Net loss for the period	(2,057,945)	(1,948,165)	(7,065,357)	(4,351,687)
Other comprehensive income (loss) for the period:				
Foreign currency translation	(16,974)	(20,585)	(305,558)	(43,944)
Comprehensive loss for the period	(2,074,919)	(1,968,750)	(7,370,915)	(4,395,631)
Loss per share:				
Basic and diluted	(0.01)	(0.01)	(0.03)	(0.02)
Shares used in computing loss per share:				
Basic and diluted	282,233,826	253,390,179	281,371,866	249,583,613

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

Organto Foods Inc.Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
	(\$)	(\$)	(\$)	(\$)
Operating activities				
Net loss for the period	(2,057,945)	(1,948,165)	(7,065,357)	(4,351,687)
Add back:				
Items not involving cash (note 17)	759,608	1,073,194	2,917,204	1,937,171
	(1,298,337)	(874,971)	(4,148,153)	(2,414,516)
Changes in non-cash working capital (note 17)	(196,104)	(228,705)	(142,987)	(981,632)
Cash used in operating activities	(1,494,441)	(1,103,676)	(4,291,140)	(3,396,148)
Investing activities				
Long-term grower advances recovered (paid)	55,298	-	(407,211)	-
Software development costs	(89,033)	-	(89,033)	-
Interest received	26,838	-	41,278	-
Cash paid to purchase Fresh Organic Choice BV	-	-	-	(230,475)
Cash acquired on purchase of Fresh Organic Choice BV	-	-	-	70,229
Cash used in investing activities	(6,897)	-	(454,966)	(149,954)
Financing activities				
Proceeds from convertible debentures, net of issue costs	-	-	-	292,000
Proceeds from exercise of warrants	-	7,500	12,186	1,152,920
Proceeds from exercise of stock options	-	-	105,000	55,250
Proceeds from sale of investment securities	-	-	-	10,292
Repayments of short-term loans	-	-	-	(295,954)
Interest paid	(28,931)	(48,172)	(354,890)	(198,319)
Cash from financing activities	(28,931)	(40,672)	(237,704)	1,016,189
Effect of foreign exchange on cash	(10,332)	(5,180)	(4,624)	17,453
Decrease in cash	(1,540,601)	(1,149,528)	(4,988,434)	(2,522,752)
Cash, beginning of period	8,422,166	2,760,506	11,869,999	4,133,730
Cash, end of period	6,881,565	1,610,978	6,881,565	1,610,978

Supplemental cash flow information (note 17)

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian Dollars)

	Number of shares	Share capital (\$)	Shares to be issued (cancelled) (\$)	Reserves (\$)	Deficit (\$)	Total (\$)
Balance at January 1, 2021	243,647,951	24,344,434	72,006	3,569,819	(28,224,170)	(237,911)
Shares issued:						
Conversion of debentures	2,839,995	577,000	-	(54,465)	-	522,535
Purchase of Fresh Organic Choice BV	839,570	179,495	-	-	-	179,495
Exercise of warrants	11,668,932	1,152,920	-	-	-	1,152,920
Exercise of stock options	480,000	55,250	-	-	-	55,250
To settle bank loan	3,210,500	1,589,198	-	-	-	1,589,198
Conversion option of convertible debentures	-	-	-	7,855	-	7,856
Shares cancelled as part of sale of processing plant	(5,873,357)	(440,494)	440,494	-	-	-
Stock-based compensation	2,000,000	512,500	(512,500)	760,426	-	760,426
Comprehensive loss for the period	-	-	-	(43,944)	(4,351,687)	(4,395,631)
Balance at September 30, 2021	258,813,591	27,970,303	-	4,239,691	(32,575,857)	(365,863)
Balance at January 1, 2022	277,386,653	33,854,516	797,770	6,604,958	(34,564,834)	6,692,410
Shares issued:						
Settlement of shares owing for Beeorganic BV	1,579,670	402,816	(402,816)	-	-	-
Settlement of shares owing for ZMS business	1,645,643	394,954	(394,954)	-	-	-
Exercise of warrants	121,860	12,186	-	-	-	12,186
Exercise of stock options	1,500,000	178,500	-	(73,500)	-	105,000
Stock-based compensation	-	-	-	685,484	-	685,484
Comprehensive loss for the period	-	-	-	(305,558)	(7,065,357)	(7,370,915)
Balance at September 30, 2022	282,233,826	34,842,972	-	6,911,384	(41,630,191)	124,165

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

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Unaudited - expressed in Canadian Dollars)

1. Nature of operations and going concern

Organto Foods Inc. ("Organto" or "the Company") is engaged in the sourcing, processing, packaging, distribution and marketing of fresh organic and value-added vegetable and fruit products. The Company employs an asset-light business model to provide year-round supply of a number of organic and specialty fruit and vegetable products sourced from a global supply base and currently marketed to customers primarily in a variety of European countries. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSXV") under the stock symbol "OGO", on the OTCQB under the stock symbol "GOGF" and on the Frankfurt Stock Exchange under the stock symbol "OGF". The Company's head office and principal address is located at 1090 Hamilton Street, Vancouver, British Columbia, V6B 2R9, Canada.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. Since then, millions of cases of the disease have been identified around the world, including regions that are important to the Company's business in terms of sales, product supply and other aspects of its supply chain. The Company has continued to operate during the initial outbreak and subsequent waves of the virus. Essential food supply chains have been maintained through these difficult times, although not without their issues due to logistics and labor challenges, and the Company has continued to work with its supply partners and customers to bring product to market. As the coronavirus pandemic plays out around the world, the full impact on the Company's business from this is difficult to predict. An extended pandemic outbreak including additional waves in many countries already impacted, or dramatic increase in actions taken by Governments to control transmission of the virus could cause the Company's key third party suppliers or the Company itself to temporarily close or significantly change operations, which could lead to a shortage of raw materials and finished products. Also, if one or more of the Company's key customers were required to close for an extended period, the Company might not be able to ship products to them, and consumers may alter their level of purchasing activity, which would also adversely impact the Company's net sales.

Economic sanctions implemented in 2022 by the European Union and other countries in response to the Russia/Ukraine conflict have had and many continue to have an economic impact on the Company including lost sales, supply dislocation as product normally destined for Russian markets by international suppliers is diverted to alternate markets and increased supply chain costs driven by rising energy costs and freight availability. While products initially meant for sale in Russia will be available for sale elsewhere during the period that the sanctions remain in place, their sale cannot be assured. Any of the foregoing events or other unforeseen consequences could materially adversely affect the Company's business, results of operations, financial condition and/or cash flows.

These condensed interim consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values of assets and liabilities may be required. The operations of the Company have historically been funded by the issue of share capital, bank loans, short-term loans and convertible loans. At September 30, 2022, the Company had working capital of \$4,470,562 (December 31, 2021 - \$9,682,809) and an accumulated deficit of \$41,630,191 (December 31, 2021 - \$34,564,834). Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing as needed, continued financial support from related parties, and ultimately on generating future profitable operations. The factors described indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for these condensed interim consolidated financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the condensed interim consolidated statement of financial position classifications used. Such adjustments could be material.

2. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements for the year ending December 31, 2021.

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended September 30, 2022 and 2021 (Unaudited - expressed in Canadian Dollars)

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 23, 2022.

3. Receivables

	September 30, 2022 (\$)	December 31, 2021 (\$)
Trade accounts receivables	2,271,891	2,877,709
VAT recoverable	189,265	153,971
Other	101,915	130,225
	2,563,071	3,161,905

In March 2022 one of the Company's European subsidiaries established a new accounts receivable factoring facility with a European bank to replace its existing facility with a different European bank. The new facility is for €2 million and the Company was required to guarantee the European subsidiary's obligations under the facility. Trade accounts receivable at September 30, 2022 included \$981,811 of factored accounts (\$1,344,637 at December 31, 2021) with corresponding amounts included in accounts payable and accrued liabilities.

4. Inventories

	September 30, 2022 (\$)	December 31, 2021 (\$)
Finished goods	149,522	316,324
	149,522	316,324

5. Grower advances

Periodic advances are made to third-party growers for various farming needs and are secured with crop harvests, property or other collateral owned by the growers. Grower advances are stated at the gross amount of the advance amount less any allowances for potentially uncollectible balances and are classified based on their expected repayment dates with any advances not expected to be repaid within the next twelve months reported as long-term. Grower advances are reviewed on a regular basis to determine their collectability.

	September 30, 2022 (\$)	December 31, 2021 (\$)
Advances expected to be repaid within the next twelve months	2,875,294	2,699,216
Advances with an expected repayment date later than twelve months	407,211	-
	3,282,505	2,699,216

6. Derivative assets

In February 2022 one of the Company's European subsidiaries established 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 currency exchange contracts, up to a maximum of US\$4 million. As part of this facility, the Company was required to guarantee the European subsidiary's obligations under the facility.

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(Unaudited - expressed in Canadian Dollars)

At September 30, 2022 the forward currency exchange contracts allowed the Company to purchase US dollars for less than by acquiring them on the spot market, and a derivative asset has been recognized. The carrying value of the derivative asset of \$239,045 represents the difference between the cost to acquire US dollars on the spot market and through the forward currency exchange contracts. A corresponding amount has been recorded as an unrealized gain on derivative assets and is included in the current period's net loss.

During the nine months ended September 30, 2022 the Company's European subsidiary purchased US dollars utilizing its forward currency exchange contracts. The difference between the cost to acquire them through the forward currency exchange contracts and the spot market at the time of purchase has been recorded as a realized gain on derivative assets and is included in the current period's net loss.

7. Investment securities

Upon the sale of its Colombian subsidiary and related intellectual property in June 2019, Organto received common shares of Xebra Brands Ltd. ("Xebra") and a right of first refusal ("ROFR") to distribute Xebra's cannabis products throughout Europe. Xebra is a Canadian cannabis company developing high-margin cannabis-based consumer products, with a major focus on cannabis-infused beverages. Xebra's common shares were listed on the Canadian Securities Exchange in October 2021 under the trading symbol XBRA.

In June 2021 the Company sold its ROFR to Xebra for proceeds of 200,000 common shares of Xebra. No value was ever attributed to the ROFR given the uncertainty of when or if Organto could begin profitably distributing Xebra products in Europe. A value of \$0.17 per share was used for the shares received and \$34,000 was recorded as other income in the second quarter of 2021.

At September 30, 2022 the Company held 3,281,278 common shares of Xebra, of which 1,238,277 are subject to trading restrictions that expire between March 2023 and September 2023. At September 30, 2022 the Company revalued the Xebra shares to a carrying value of \$183,224 which represents a discount to their market value of \$196,877 to reflect these trading restrictions and the Company recognized a revaluation loss of \$77,822 (3 months ended September 30, 2021 - \$nil) and \$868,391 (9 months ended September 30, 2021 - \$93,411 gain on revaluation) for the three and nine month periods ended September 30, 2022. Subsequent to September 30, 2022 the market value of the Xebra shares has fluctuated between \$213,283 and \$82,032.

At December 31, 2021 the Company held 3,281,278 common shares of Xebra, all of which were subject to trading restrictions that expire between March 2022 and September 2023. At December 31, 2021 the Company valued the Xebra shares at a their carrying value of \$1,051,615, a discount to their market value of \$1,246,886 to reflect these trading restrictions. The Company recognized a net revaluation gain of \$587,209 for revaluations done in 2021. Prior to their listing on the Canadian Securities Exchange in October 2021, the fair value of the Xebra shares was estimated using a combination of the price of the most recent funding involving financing from external investors and expected proceeds.

8. Intangible assets

Intangible assets include the trade name and client relationships acquired when the Company purchased 100% of the outstanding shares of both Fresh Organic Choice BV ("Fresh Organic Choice") and Beeorganic B.V. ("Beeorganic") as well as the operating business of Zimbabwe Marketing Services B.V. ("ZMS"). Trade names are being amortized over 5 years and customer and supplier relationships over 10 years. Their amortization is included in selling, general and administrative expenses on the condensed interim consolidated statement of comprehensive loss.

Intangible assets also include the cost of externally acquired and developed software used in the design and implementation of new reporting software for the Company's European subsidiaries. Development of this reporting software is expected to continue until its target date for implementation in early 2023. Upon implementation, these costs will then be amortized over the reporting software's expected useful life of five years.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - expressed in Canadian Dollars)

	Intangible assets				Goodwill (\$)
	Trade names (\$)	Customer and supplier lists (\$)	Software (\$)	Total (\$)	
Cost					
Balance, January 1, 2021	-	-	-	-	-
Additions	66,070	1,064,767	-	1,130,837	755,200
Foreign exchange	-	3,464	-	3,464	2,239
At December 31, 2021	66,070	1,068,231	-	1,134,301	757,439
Accumulated amortization					
Balance, January 1, 2021	-	-	-	-	-
Amortization	(12,663)	(34,867)	-	(47,530)	-
Foreign exchange	-	3	-	3	-
At December 31, 2021	(12,663)	(34,864)	-	(47,527)	-
Net carrying value at December 31, 2021	53,407	1,033,367	-	1,086,774	757,439

	Intangible assets				Goodwill (\$)
	Trade names (\$)	Customer and supplier lists (\$)	Software (\$)	Total (\$)	
Cost					
Balance, January 1, 2022	66,070	1,068,231	-	1,134,301	757,439
Additions	-	-	89,033	89,033	-
Foreign exchange	-	(15,903)	-	(15,903)	(10,277)
At September 30, 2022	66,070	1,052,329	89,033	1,207,431	747,162
Accumulated amortization					
Balance, January 1, 2022	(12,663)	(34,864)	-	(47,527)	-
Amortization	(9,911)	(79,130)	-	(89,041)	-
Foreign exchange	-	404	-	404	-
At September 30, 2022	(22,574)	(113,590)	-	(136,164)	-
Net carrying value at September 30, 2022	43,496	938,739	89,033	1,071,267	747,162

The intangible assets acquired in the Fresh Organic Choice and Beorganic acquisitions are not deductible for income tax purposes and deferred income taxes of \$131,500 have been recognized and added to their respective goodwill's carrying value.

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Notes to the Condensed Interim Consolidated Financial Statements
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9. Government loans and grants

Canada

The Company received proceeds of \$40,000 in September 2020 and an additional \$20,000 in December 2020 under the Canada Emergency Business Account (“CEBA”) program. The loan is a 0% interest bearing loan with no principal payments required. Originally, the loan could be repaid at any time and \$20,000 of the loan would be forgiven if repaid in full before December 31, 2022. In October 2022 the Company was advised that the repayment deadline for partial loan forgiveness was extended from December 31, 2022 to December 31, 2023. If not repaid by December 31, 2024, the loan can be converted into a 3-year term loan at 5% annual interest paid monthly effective January 1, 2025.

Netherlands

In response to the COVID-19 global pandemic, the Netherlands government implemented a tax payment extension for certain taxes beginning in March 2020. Payment of amounts deferred under this program are to begin in October 2022 and continue through October 2027. As long as payments are made, no interest is charged but missed or late payments are charged interest at rates between 1% and 4% depending on the payment’s due date. Earlier payments are allowed.

Amounts payable under this program consist of payroll withholding and sales taxes. Amounts with payment due dates after September 30, 2023 are recognized at fair value and the difference between their fair value and their original amount is recognized as a government grant. Amounts with payment due dates prior to or on September 30, 2023 are recognized at their face value and recorded in accounts payable and accrued liabilities.

	September 30, 2022 (\$)	December 31, 2021 (\$)
Current:		
Canada CEBA loan	-	60,000
	-	60,000
Long-term:		
Canada CEBA loan	60,000	-
Taxes payable under the Netherlands tax payment extension program	300,749	-
Government grant	39,564	-
	400,313	
	400,313	60,000

10. Convertible debentures

May 2022 series

In May 2020 the Company completed a private placement of convertible debentures with a total face value of \$720,300. The debentures were unsecured and had a term of two years and bore interest at 10% annually, payable in arrears beginning one year after their date of issuance. The debentures were convertible into shares of Organto at \$0.05 per share in the first 12 months and \$0.10 thereafter. Interest was not convertible. The holder could convert all or part of the debentures at any time and the Company had the right to force conversion of the debentures.

Debentures with a face value of \$665,300 were converted in 2020 resulting in the issuance of 13,306,000 common shares. The remaining debentures with a face value of \$55,000 were converted in January 2021 resulting in the issuance of 1,100,000 common shares.

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December 2022 series

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

The debentures are convertible into shares of Organto at \$0.30 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after April 29, 2021, the closing price of the Company's shares exceeds \$0.45 or more for ten consecutive trading days, the Company has the right to force conversion of the Debentures.

The Company recorded \$3,076,872 as the fair value of the debt component of the debentures, with the residual amount of \$279,978 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two-year term.

A total of \$191,775 in finder's fees was allocated to the liability and the equity components of the debentures, of which \$126,084 was paid in cash. The finders were also issued 420,280 warrants with each warrant entitling the holder to purchase one common share at a price of \$0.30 for a period of two years. These finder warrants have a total fair value of \$65,691 determined using the Black-Scholes Option Pricing Model.

Debentures with a face value of \$577,000 were converted in 2021 resulting in the issuance of 2,839,995 common shares.

With a maturity date of December 29, 2022, this series of debentures is classified as short-term.

See note 20.

January 2023 series

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

The debentures are convertible into shares of Organto at \$0.30 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after May 5, 2021, the closing price of the Company's shares exceeds \$0.45 or more for ten consecutive trading days, the Company has the right to force conversion of the Debentures.

The Company recorded \$284,144 as the fair value of the debt component of the debentures, with the residual amount of \$7,856 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two-year term.

A finder's fee of \$18,000 was paid in cash and recorded in 2021. Other transaction costs associated with the January 2023 debentures were recorded in 2020 together with the costs associated with the December 2022 series.

With a maturity date of January 4, 2023, this series of debentures is classified as short-term.

November 2026 series

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

The debentures are convertible into shares of Organto at \$0.50 per share and interest is not convertible. The holder may convert all or part of the debentures at any time after November 30, 2023. If, at any time after November 30, 2023, the 20-day volume weighted average trading price of the Company's shares on the TSXV exceeds \$0.625, the Company has the right to force

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conversion of the Debentures. The Company may repay all or a portion of the convertible debentures by issuing common shares worth \$1,053 based on their current market price for each \$1,000 face value of convertible debentures. The Company may also pay all or a portion of the interest payable by issuing common shares to the debenture trustee who shall sell the common shares and use the proceeds to pay the interest due to debenture holders.

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

Transaction costs of \$956,627 were paid in cash including \$126,084 in finder's fees. Finder's fees totaled \$483,000 and included 966,000 warrants with each warrant entitling the holder to purchase one common share at a price of \$0.50 for a period of two years. These finder warrants have a total fair value of \$258,888 determined using the Black-Scholes Option Pricing Model. A total of \$1,215,515 in transaction costs was allocated to the liability and the equity components of the debentures.

With a maturity date of November 30, 2026, this series of debentures is classified as long-term.

A summary of the convertible debentures is as follows:

	(\$)
Balance at December 31, 2020	2,969,127
Convertible debentures issued for cash	8,360,000
Allocated to equity component	(1,779,180)
Transaction costs allocated to debt component	(966,102)
Accretion	321,089
Converted	(522,537)
Balance at December 31, 2021	8,382,397
Accretion	925,878
Balance at September 30, 2022	9,308,275

Convertible debentures by maturity:

Maturing in less than one year	2,627,670
Maturing in more than one year	5,754,727
Balance at December 31, 2021	8,382,397
Maturing in less than one year	3,084,827
Maturing in more than one year	6,223,448
Balance at September 30, 2022	9,308,275

Accrued interest on all outstanding debentures of \$776,504 is recorded in accounts payable and accrued liabilities at September 30, 2022 (December 31, 2021 - \$336,539).

11. Share capital

(a) Common shares

The Company is authorized to issue an unlimited number of common shares without par value. At September 30, 2022 the Company had 282,233,826 (December 31, 2021 - 277,386,653) common shares issued and outstanding.

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In December 2020 the Company agreed to issue 2,000,000 shares to certain officers as a signing bonus. These shares had a fair value of \$512,500 and were recorded in stock-based compensation. The shares were issued in April 2021.

In January 2021 the Company issued 839,570 common shares as part of the consideration paid to acquire 100% of Fresh Organic Choice (note 8). These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

In March 2021 the Company signed an exclusive supply agreement with a Mexican supplier of organic avocados and in order to obtain exclusive rights, a total of 1,000,000 common shares could have been issued to the supplier over the term of the agreement based on the delivery of minimum annual volume targets, subject to the acceptance of the TSXV. This agreement was mutually terminated in October 2022 and no common shares have or will be issued.

In November 2021 the Company closed a non-brokered private placement of 18,565,062 common shares for net proceeds of \$5,948,060 after share issue costs of \$29,890. As part of the private placement, in the event of future financings by the Company, one of the participants of the private placement has been granted a pre-emptive anti-dilutive right to participate in such financings to maintain its 5-percent equity ownership position. No finder's fees were paid on the private placement and the shares issued were subject to a hold period which expired in March 2022.

(b) Shares to be issued

In December 2020 the Company agreed to issue 2,000,000 common shares to certain officers as a signing bonus. These shares had a fair value of \$512,500 and were issued in April 2021.

In January 2021 the Company completed the documentation related to the 2019 sale of the Company's former processing assets located in Guatemala and 5,873,357 common shares with a fair value of \$440,494 were cancelled. Part of the proceeds from the sale of these processing assets included the cancellation and return to treasury of 5,873,357 common shares of the Company.

In November 2021 the Company agreed to issue 1,579,670 common shares as part of the consideration paid to acquire 100% of Beeorganic (note 8). These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years. These shares were issued in March 2022.

In November 2021 the Company agreed to issue 1,645,643 common shares as full consideration paid to acquire the operating assets of ZMS (note 8). These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years. These shares were issued in February 2022.

(c) Share options

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

235,000 share options were granted during the nine months ended September 30, 2022. 47,000 of these share options had vested by September 30, 2022 and 47,000 will vest in each of 2023, 2024, 2025 and 2026.

1,500,000 share options were exercised during the nine months ended September 30, 2022 at an exercise price of \$0.07 per share. The market price of the Company's shares when the share options were exercised was \$0.145 per share.

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

	Total options		Exercisable options	
	Total options	Weighted average exercise price (\$)	Exercisable options	Weighted average exercise price (\$)
Balance, January 1, 2021	16,325,000	0.125	8,888,500	0.119
Granted	6,700,000	0.345	1,385,000	0.345
Vested	-	-	3,897,250	0.126
Forfeited	(480,000)	0.115	(480,000)	0.115
Expired	(675,000)	0.124	(535,000)	0.11
Balance at December 31, 2021	21,870,000	0.193	13,155,750	0.146
Granted	235,000	0.296	47,000	0.296
Vested	-	-	1,526,000	0.201
Exercised	(1,500,000)	0.07	(1,500,000)	0.07
Expired	(351,250)	0.311	(35,000)	0.27
Balance at September 30, 2022	20,253,750	0.201	13,193,750	0.161

A summary of the Company's share options outstanding and exercisable at September 30, 2022 is as follows:

Exercise price (\$)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.07	2.22	4,018,750	3,408,750
0.08	1.68	60,000	30,000
0.10	2.91	2,780,000	2,188,000
0.135	1.20	2,655,000	2,270,000
0.15	0.75	600,000	600,000
0.18	0.57	1,745,000	1,745,000
0.20	5.00	85,000	17,000
0.265	3.23	1,705,000	850,000
0.285	3.32	700,000	460,000
0.30	4.21	1,850,000	390,000
0.35	4.33	150,000	30,000
0.37	4.16	3,375,000	765,000
0.385	3.72	80,000	80,000
0.42	3.41	300,000	300,000
0.43	3.89	150,000	60,000
	2.68	20,253,750	13,193,750

The Company recognizes stock-based compensation over the vesting period of the underlying options using the Black-Scholes Option Pricing Model for those options with set vesting dates and the Binomial Method for those options which vest based on market conditions. Option pricing methods require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. The fair value of the options granted in the nine months ended September 30, 2022 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 109-113%, risk free interest rates of 1.59%-3.52%, expected lives of 5 years and no dividend yield.

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The fair value of the options granted during the nine months ended September 30, 2022 was \$22,020 (2021 - \$372,950) and the Company recognized \$550,755 (2021 - \$475,012) as stock-based compensation expense relating to options that vested.

(d) Restricted share units

In January 2021 the Company adopted a restricted share unit ("RSU") plan to issue RSUs whereby the total aggregate RSUs and share options outstanding may be up to 10% of its issued capital at the time of an applicable option grant. Under the RSU plan, the Company's Board of Directors may from time to time, grant RSUs to directors, officers, employees or consultants. The vesting terms of an RSU are at the discretion of the Board of Directors.

No RSUs were granted in the nine months ended September 30, 2022 and the Company recorded \$134,729 (2021 - \$285,414) as stock-based compensation expense relating to RSUs that vested.

At September 30, 2022 a total of 2,475,000 RSUs were outstanding, of which 1,175,000 had vested. No vested RSUs were paid in the nine months ended September 30, 2022.

(e) Warrants

In May 2020, the Company issued 223,300 warrants in connection with the convertible debentures issued in May 2020. These warrants are exercisable for a period of two years at an exercise price of \$0.10 per share. The fair value of these warrants of \$4,466 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.44%, expected life of 2 years and no dividend yield. The value of these warrants was expensed as a financing cost during 2020. 121,860 warrants were exercised and 78,940 expired in 2022. 22,500 warrants were exercised in 2021.

In December 2020 the Company issued 420,280 warrants in connection with the convertible debentures issued in December 2020 and 192,630 warrants in connection with the 8% credit facility established in December 2020. These warrants are exercisable for a period of two years at an exercise price of \$0.30 per share. 136,040 of these warrants were exercised in 2021. The fair value of these warrants of \$95,800 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 125%, risk free interest rate of 0.21%, expected life of 2 years and no dividend yield. The value of these warrants was classified as issue costs for the debentures and bank loan and is recorded as offsets to the bank loan and convertible debenture balances to be amortized over their expected two-year term.

In January 2021 the Company issued 62,000 warrants in connection with the convertible debentures issued in January 2021. These warrants are exercisable for a period of two years at an exercise price of \$0.30 per share. The fair value of these warrants of \$8,800 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 125%, risk free interest rate of 0.21%, expected life of 2 years and no dividend yield. The value of these warrants was included with the issue costs for the debentures issued in December 2020. These costs were recorded in 2020 as an offset to the convertible debenture balances and will be amortized over their expected two-year terms.

In November 2021 the Company issued 966,000 warrants in connection with the convertible debentures issued in November 2021. These warrants are exercisable for a period of two years at an exercise price of \$0.50 per share. The fair value of these warrants of \$258,888 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 114%, risk free interest rate of 1.36%, expected life of 2 years and no dividend yield. The value of these warrants

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was classified as an issue cost for the debentures and is recorded as an offset to the convertible debentures balance and will be amortized over the expected five-year term.

Warrants outstanding and exercisable at September 30, 2022 are as follows:

Grant date	Number of warrants	Exercise price (\$)	Expiry Date
December 2020	476,870	0.30	December 2022
January 2021	62,000	0.30	January 2023
November 2021	966,000	0.50	November 2023
	1,504,870	0.428	

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

	Number of warrants	Weighted average exercise price (\$)
Balance at January 1, 2021	12,354,602	0.107
Issued	1,028,000	0.488
Exercised	(11,676,932)	0.098
Balance at December 31, 2021	1,705,670	0.39
Exercised	121,860	0.10
Expired	(78,940)	0.10
Balance at September 30, 2022	1,504,870	0.428

(f) Reserves

	Options and RSUs (\$)	Warrants (\$)	Other reserves (\$)	Cumulative translation (\$)	Total (\$)
Balance, January 1, 2021	1,468,159	476,237	888,171	737,252	3,569,819
Stock-based compensation	1,320,909	-	-	-	1,320,909
Issue of convertible debentures	-	-	1,511,766	-	1,511,766
Fair value of warrants issued	-	258,888	-	-	258,888
Accumulated comprehensive loss	-	-	-	(56,424)	(56,424)
Balance at December 31, 2021	2,789,068	735,125	2,399,937	680,828	6,604,958
Stock-based compensation	685,484	-	-	-	685,484
Exercise of stock options	(73,500)	-	-	-	(73,500)
Accumulated comprehensive loss	-	-	-	(305,558)	(305,558)
Balance at September 30, 2022	3,401,052	735,125	2,399,937	375,270	6,911,384

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12. Cost of sales

	Three months ended September 30		Nine months ended September 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Produce purchases	3,462,534	3,312,374	13,344,467	11,411,881
Freight	557,949	347,747	1,314,759	1,092,513
Packaging and other	360,965	109,143	953,349	303,292
	4,381,448	3,769,264	15,612,575	12,807,686

13. Selling, general and administration expenses

	Three months ended September 30		Nine months ended September 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Administration and office	408,454	430,543	1,252,308	1,080,970
Professional fees	73,189	116,194	569,645	397,013
Amortization (note 8)	29,513	9,757	89,041	27,644
Bad debt expense	31,802	2,474	39,933	3,761
	542,958	558,968	1,950,927	1,509,388

14. Other income (loss)

	Three months ended September 30		Nine months ended September 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Financing fee received	-	-	-	7,000
Insurance claim	-	-	-	8,035
Revaluation of grower advances	(45,067)	-	(45,067)	-
Sale of Xebra ROFR (note 7)	-	-	-	34,000
	(45,067)	-	(45,067)	49,035

15. Gain (loss) on settlement of debt

	Three months ended September 30		Nine months ended September 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Gain on settlement of accounts payable	-	18,505	-	18,505
Gain on settlement of legal claim	24,099	-	24,099	-
Loss on shares for bank loan settlement	-	(715,384)	-	(715,384)
	24,099	(696,879)	24,099	(696,879)

In December 2020, a bank loan with a term of 2 years was established with a Mexican bank for US\$750,000 and the full amount was drawn. Interest was payable monthly at 8% annually. This credit facility was guaranteed by a convertible debenture which

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could be issued in order to settle the principal amount borrowed. In July 2021, a convertible debenture with a face value of \$963,150 was issued and immediately converted into 3,210,500 common shares to fully settle the bank loan. Costs incurred to issue the loan and associated security were initially deducted from the proceeds and were amortized over the two year life of the loan. The balance of the un-amortized costs were fully expensed when the loan was settled. The market value of the 3,210,500 common shares was \$1,589,198 and the difference between the market value of the shares and the face value of the debenture, together with the balance of un-amortized loan issue costs was recorded as a loss on the settlement of the bank loan.

16. Related party transactions

(a) Directors and key management personnel compensation:

	Three months ended September 30		Nine months ended September 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Salaries, consulting and management fees	233,194	217,154	766,175	647,299
Stock based compensation	180,927	85,125	519,639	513,443
	414,121	302,279	1,285,814	1,160,742

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended September 30, 2022 and 2021.

(b) Transactions with related parties:

	Three months ended September 30		Nine months ended September 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Administrative services	158,022	103,061	415,602	311,994
Produce sales	-	15,569	-	15,569
Produce purchases	-	225,786	206,241	588,517

(c) Outstanding balances payable (receivable):

	September 30, December 31,	
	2022 (\$)	2021 (\$)
Salaries, consulting and management fees	121,955	277,860
Interest on convertible debentures	28,145	44,297
Administration services	-	-
Expense reimbursements (advances)	412	6,941
Advances to suppliers	480,931	-
Product sales	-	(283,616)

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17. Supplemental cash flow information

	Three months ended September 30		Nine months ended September 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Items not involving cash:				
Amortization	29,513	9,757	89,041	27,644
Bad debt expense	31,802	2,474	39,933	3,761
Stock-based compensation	229,172	154,948	685,484	760,426
Interest expense and accretion	557,672	176,982	1,706,664	620,835
Foreign currency translation	(655)	32,154	(256,872)	(44,963)
Other income	45,067	-	45,067	(34,000)
Loss (gain) on settlement of debt	(24,099)	696,879	(24,099)	696,879
Unrealized loss (gain) on revaluation of investment securities	77,822	-	868,391	(93,411)
Unrealized gain on revaluation of derivative assets	(186,686)	-	(236,405)	-
	759,608	1,073,194	2,917,204	1,937,171
Changes in non-cash working capital:				
Receivables	(23,522)	(609,018)	558,901	(418,646)
Inventories	14,185	(39,733)	166,802	(33,318)
Grower advances	(247,526)	-	(221,145)	-
Prepaid expenses	17,365	(240,535)	(9,342)	(1,057,566)
Accounts payable and accrued liabilities	43,394	660,581	(638,203)	527,898
	(196,104)	(228,705)	(142,987)	(981,632)
Non-cash investing and financing activities includes the following:				
Common shares issued:				
as part of Fresh Organic Choice acquisition	-	-	-	179,495
as part of Beeorganic acquisition	-	-	402,816	-
as part of ZMS business acquisition	-	-	394,954	-
on conversion of debentures	-	212,000	-	212,000
as signing bonus	-	512,500	-	512,500
Common shares cancelled:				
as part of the sale of the processing plant in Guatemala	-	-	-	(440,494)

18. Segmented information

The Company has one reportable business segment, being the sourcing, processing, packaging, distribution and marketing of organic and specialty food products. In the three months ended September 30, 2022 41% of the Company's sales were to 4 customers with each customer accounting for at least 5% of total sales. In the nine months ended September 30, 2021 25% of sales were to 4 customers with each customer accounting for at least 5% of total sales. None of these largest customers by sales volume in the nine months ended September 30, 2022 were top sales volume customers in the nine months ended September 30, 2021.

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Information by geographical areas is as follows:

	September 30, 2022 (\$)	December 31, 2021 (\$)
Non-current assets		
Canada	183,224	1,051,615
Netherlands	2,225,640	1,844,213
	2,408,864	2,895,828

19. Commitments

At September 30, 2022 the Company had entered into agreements which call for minimum payments as follows:

	Within 1 year (\$)	Between 1 and 5 years (\$)	After 5 years (\$)	Total (\$)
Management fees	230,510	-	-	230,510
Administration services	2,019	-	-	2,019
Labour and benefits	337,220	138,032	-	475,252
Software development costs	147,706	52,552	-	200,257
Forward currency exchange contracts	2,181,546	-	-	2,181,546
	2,899,001	190,584	-	3,089,585

The Company has 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\$4 million. As part of this facility, the Company was required to guarantee the European subsidiary's obligations under the facility.

20. Subsequent events

Termination of Exclusive Supply Agreement

In March 2021 the Company signed an exclusive supply agreement with a Mexican supplier of organic avocados and in order to obtain exclusive rights, a total of 1,000,000 common shares could have been issued to the supplier over the term of the agreement based on the delivery of minimum annual volume targets, subject to the acceptance of the TSXV. In October 2022 the Company and supplier mutually terminated this agreement and as a result no common shares were or will be issued. The Company continues to source avocado from other Mexican sources as well as other suppliers around the globe.

Prepayment of convertible debenture

In October 2022 the Company prepaid a convertible debenture set to mature on December 29, 2022. The debenture holder agreed to waive the accrued interest and returned the debenture to the Company and was paid \$41,000.

Stock options

In October 2022 1,608,750 stock options expired unexercised.