

ORGANTO FOODS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**For the Nine Months Ended
September 30, 2023**

(Stated in Canadian Dollars)

Organto Foods Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited – expressed in Canadian Dollars)

	September 30, 2023 (\$)	December 31, 2022 (\$)
Assets		
Current assets		
Cash	272,877	5,769,979
Restricted cash (note 3)	75,265	-
Receivables (notes 4 and 21)	2,740,158	2,290,358
Inventories (note 5)	409,340	235,418
Prepaid expenses	25,144	69,555
Grower advances (notes 6 and 21)	1,154,461	1,438,391
Derivative assets (note 7)	51,823	38,712
Investment securities (note 8)	26,250	92,541
	4,755,318	9,934,954
Non-current assets		
Property, plant and equipment (note 9)	160,070	-
Long-term grower advances (note 6)	1,441,813	885,229
Intangible assets (note 10)	1,196,069	550,338
Goodwill (note 10)	794,158	-
	8,347,428	11,370,521
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (notes 14, 15, 16 and 21)	5,772,009	4,165,629
Factored accounts receivable liability (note 4)	842,339	1,313,972
Government loans and grants (note 12)	140,544	141,503
Short-term loans (note 13)	270,000	-
Operating lease (note 14)	132,963	-
Convertible debentures (note 15)	-	1,446,804
	7,157,855	7,067,908
Non-current liabilities		
Government loans and grants (note 12)	177,221	160,360
Convertible debentures (note 15)	8,542,966	7,232,538
Other liabilities (note 16)	462,324	-
Deferred income taxes (note 10)	153,800	64,800
Total liabilities	16,494,166	14,525,606
Shareholders' equity (deficit)		
Share capital (note 17(a))	35,251,632	34,842,972
Reserves (note 17(e))	7,828,605	7,394,988
Deficit	(51,226,975)	(45,393,045)
Total shareholders' equity (deficit)	(8,146,738)	(3,155,085)
	8,347,428	11,370,521

Nature of operations and going concern (note 1)

Commitments (note 24)

Subsequent events (note 25)

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	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Sales (notes 21 and 23)	6,383,743	4,547,574	21,468,662	16,657,387
Cost of sales (notes 5, 18 and 21)	(5,833,761)	(4,381,448)	(19,508,632)	(15,612,575)
Gross profit	549,982	166,126	1,960,030	1,044,812
Selling, general and administration expenses (notes 19 and 21)	(630,429)	(542,958)	(2,199,310)	(1,950,927)
Management fees (note 21)	(207,168)	(231,650)	(687,698)	(765,423)
Labour costs and benefits (note 21)	(789,693)	(839,524)	(2,733,402)	(2,496,353)
Stock-based compensation (notes 17(b), 17(c) and 21)	(158,432)	(229,172)	(529,810)	(685,484)
	(1,235,740)	(1,677,178)	(4,190,190)	(4,853,375)
Interest expense and accretion, net (note 15)	(496,304)	(557,672)	(1,297,057)	(1,706,664)
Unrealized loss on investment securities (note 8)	(12,735)	(77,822)	(66,291)	(868,391)
Realized gain (loss) on derivative assets (note 7)	(84,205)	107,038	(175,957)	189,077
Unrealized gain on revaluation of derivatives (note 7)	232,952	186,686	12,845	236,405
Gain on settlement of debt (note 20)	-	-	11,584	-
Other loss	-	-	(189,773)	-
Foreign exchange gain (loss)	60,991	(18,029)	60,909	(41,441)
Net loss for the period	(1,535,041)	(2,057,945)	(5,833,930)	(7,065,357)
Other comprehensive gain (loss) for the period:				
Foreign currency translation	(36,178)	(16,974)	(77,102)	(305,558)
Comprehensive loss for the period	(1,571,219)	(2,074,919)	(5,911,032)	(7,370,915)
Loss per share:				
Basic and diluted	(0.05)	(0.07)	(0.20)	(0.26)
Shares used in computing loss per share:				
Basic and diluted	28,467,667	28,223,383	28,566,209	28,137,187

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

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

	Nine months ended September 30	
	2023	2022
	(\$)	(\$)
Operating activities		
Net loss for the period	(5,833,930)	(7,065,357)
Add back:		
Items not involving cash (note 22)	2,070,803	2,917,204
	(3,763,127)	(4,148,153)
Changes in non-cash working capital (note 22)	2,726	(550,198)
Changes in restricted cash	(75,265)	-
Cash used in operating activities	(3,835,666)	(4,698,351)
Investing activities		
Software development costs	(19,552)	(89,033)
Interest received	19,553	41,278
Cash paid to purchase New Fruit Group	(361,425)	-
Cash acquired on purchase of New Fruit Group	40,375	-
Cash used in investing activities	(321,049)	(47,755)
Financing activities		
Proceeds from convertible debentures, net of issue costs	1,001,020	-
Repayments of convertible debentures	(1,448,000)	-
Proceeds from exercise of stock options	70,000	105,000
Proceeds from exercise of warrants	-	12,186
Bank loan repaid	(680,508)	-
Proceeds from short-term loans	264,960	-
Payment of lease liabilities	(88,062)	-
Interest paid	(459,776)	(354,890)
Cash used in financing activities	(1,340,366)	(237,704)
Effect of foreign exchange on cash	(21)	(4,624)
Decrease in cash	(5,497,102)	(4,988,434)
Cash, beginning of period	5,769,979	11,869,999
Cash, end of period	272,877	6,881,565

Supplemental cash flow information (note 22)

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the Nine Months Ended September 30, 2023 and 2022

(Unaudited – expressed in Canadian Dollars)

	Number of shares	Share capital (\$)	Shares to be issued (cancelled) (\$)	Reserves (\$)	Deficit (\$)	Total (\$)
Balance at January 1, 2022	27,738,665	33,854,516	797,770	6,604,958	(34,564,834)	6,692,410
Shares issued:						
Settlement of shares owing for Beeorganic BV	157,967	402,816	(402,816)	-	-	-
Settlement of shares owing for ZMS business	164,564	394,954	(394,954)	-	-	-
Exercise of stock options	150,000	178,500	-	(73,500)	-	105,000
Exercise of warrants	12,186	12,186	-	-	-	12,186
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	28,223,382	34,842,972	-	6,911,384	(41,630,191)	124,165
Balance at January 1, 2023	28,223,382	34,842,972	-	7,394,988	(45,393,045)	(3,155,085)
Shares issued:						
Exercise of stock options	100,000	119,000	-	(49,000)	-	70,000
Exercise of restricted share units	20,000	49,000	-	(49,000)	-	-
For acquisition of New Fruit Group	225,000	240,660	-	-	-	240,660
Convertible debenture offering:						
Conversion option	-	-	-	72,764	-	72,764
Warrants issued	-	-	-	6,145	-	6,145
Stock-based compensation	-	-	-	529,810	-	529,810
Comprehensive loss for the period	-	-	-	(77,102)	(5,833,930)	(5,911,032)
Balance at September 30, 2023	28,568,382	35,251,632	-	7,828,605	(51,226,975)	(8,146,738)

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, 2023 and 2022

(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 a year-round supply of a number of organic and specialty fruit and vegetable products sourced from a global supply base and currently marketed to customers primarily in a variety of European countries. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the stock symbol “OGO”, on the OTCQB under the stock symbol “OGOFF” and on the Frankfurt Stock Exchange under the stock symbol “OGF”. The Company’s head office and principal address is located at 36 Toronto St., Suite 805, Toronto, ON, M5C 2C5, Canada.

Economic sanctions implemented in 2022 by the European Union and other countries in response to the Russia/Ukraine conflict have had and may continue to have an economic impact on the Company including lost sales, supply dislocation and increased supply chain costs driven by rising energy and freight costs. 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 matters or other unforeseen consequences could materially adversely affect the Company’s business, results of operations, financial condition and/or cash flows.

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. This share consolidation has been retroactively presented in these condensed interim consolidated financial statements and all share and per share amounts are presented on a post consolidation basis.

These condensed interim consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. For the nine months ended September 30, 2023 the Company incurred a loss of \$5,833,930 (2022 - \$7,065,357). The operations of the Company have historically been funded by the issuance of share capital, bank loans, short-term loans and convertible loans. At September 30, 2023, the Company had a working capital deficiency of \$2,402,537 (December 31, 2022 – working capital of \$2,867,046) and had an accumulated deficit of \$51,226,975 (December 31, 2022 - \$45,393,045). Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing as needed, continued financial support from related parties, and ultimately on generating future profitable operations. The factors described indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. If the going concern assumption was not appropriate for these condensed interim consolidated financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the condensed interim consolidated statement of financial position classifications used. Such adjustments could be material.

2. Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB). These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements for the year ending December 31, 2022.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 27, 2023.

3. Restricted cash

Restricted cash at September 30, 2023 consists of deposits held by the European financial services company which provides the Company’s hedging facility (note 7). Under the terms of the hedging facility, cash deposits are required to provide collateral to maintain margin requirements if the market value of the forward currency contracts exceeds a certain negative value. The

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Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended September 30, 2023 and 2022 (Unaudited – expressed in Canadian Dollars)

deposits are either 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. See note 25.

4. Receivables

	September 30, 2023 (\$)	December 31, 2022 (\$)
Trade accounts receivables	2,201,135	2,129,924
VAT recoverable	305,651	153,096
Other	238,462	7,339
	2,740,158	2,290,358

Three of the Company's European subsidiaries have established accounts receivable factoring facilities with European banks for a total of up to €2.75 million and the Company is required to guarantee the European subsidiaries' obligations under the facilities. Trade accounts receivable at September 30, 2023 included \$842,339 of factored accounts (\$1,313,972 at December 31, 2022) with corresponding amounts included in factored accounts receivable liability. Under the factoring facilities, the subsidiaries are required to maintain credit insurance for those customers whose accounts are factored and they have pledged any and all proceeds received under this insurance to the European banks. Factored accounts receivable incur interest at rates between EURIBOR plus 2.25% and EURIBOR plus 2.5% plus factoring fees. The Company retains the credit risk associated with the factored receivables.

In 2022 one of the Company's European subsidiaries filed VAT returns incorrectly and the tax authorities believed \$1,502,164 was due from the subsidiary for unpaid taxes. The Company has submitted the appropriate documentation and has received confirmation from the tax authorities that some of the revised returns have been accepted with no amounts owing by the Company's subsidiary but is still waiting for confirmation that the matter has been fully resolved.

5. Inventories

	Fruit and vegetables (\$)
Balance, January 1, 2022	316,324
Purchases	17,210,843
Expensed as cost of sales	(17,291,749)
Balance, December 31, 2022	235,418
Purchases	17,600,515
Obtained as part of New Fruit Group acquisition	384,888
Expensed as cost of sales (note 18)	(17,811,481)
Balance, September 30, 2023	409,340

6. Grower advances

Periodic advances are made to third-party growers for shipments of product prior to shipping and for various farming needs and are secured with crop harvests, property or other collateral owned by the growers. Grower advances are recorded at the gross amount of the advance amount less any allowances for potentially unrecoverable balances and if advances are to be recovered after one year they are discounted at a market interest rate 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 recoverability.

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Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended September 30, 2023 and 2022 (Unaudited – expressed in Canadian Dollars)

	September 30, 2023 (\$)	December 31, 2022 (\$)
Advances expected to be recovered within the next twelve months	1,154,461	1,438,391
Advances with an expected recovery date later than twelve months	1,441,813	885,229
	2,327,042	2,323,620

At September 30, 2023, short-term grower advances include \$502,074 (December 31, 2022 – \$516,554) receivable from a related party (note 21).

7. Derivative assets and liabilities

Three of the Company's European subsidiaries have established hedging facilities with European financial services companies in order to hedge their exposure to fluctuations in the US dollar vs Euro exchange rate. The facilities are all for forward currency exchange contracts up to a total maximum of US\$15.8 million. The Company has guaranteed the European subsidiaries' obligations under these facilities.

At September 30, 2023 the net 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 assets of \$51,823 represents the difference between the cost to acquire US dollars on the spot market and through the forward currency exchange contracts. The gain on the valuation of these derivative assets at September 30, 2023 has been recorded as an unrealized gain and is included in the condensed interim consolidated statement of comprehensive loss. At December 31, 2022 the difference between spot and contracted rates resulted in a derivative asset of \$38,712.

During the nine months ended September 30, 2023 the Company's European subsidiary purchased US dollars utilizing its forward currency exchange facility. The difference between the cost to acquire the US dollars through the forward currency exchange contracts and the spot market at the time of purchase has been recorded as a realized loss of \$175,957 (2022 – gain of \$189,077) and is included in the condensed interim consolidated statement of comprehensive loss. During the three months ended September 30, 2023 the difference between spot and contracted rates at the time of purchase resulted in a realized loss of \$84,205 (2022 – gain of \$107,038).

8. Investment securities

On February 28, 2023 Xebra Brands Ltd. ("Xebra") consolidated their shares on a one for five basis reducing the number of shares owned by the Company to 656,256 shares. The comparative number of shares has been adjusted to reflect the consolidation.

At September 30, 2023 the Company held 656,256 common shares of Xebra (December 31, 2022 – 656,256). At September 30, 2023 the Company revalued the Xebra shares to a carrying value of \$26,250 (December 31, 2022 - \$92,541) which reflects their market value. The Company recognized an unrealized revaluation loss of \$66,291 for the nine months ended September 30, 2023 (2022 –\$868,391). For the three months ended September 30, 2023 the Company recognized an unrealized revaluation loss of \$12,735 (2022 –\$77,822). Subsequent to September 30, 2023 the market value of the Xebra shares held by the Company has fluctuated between \$13,125 and \$32,813.

9. Property, plant and equipment

Property, plant and equipment consists of the right-of-use asset associated with its lease of warehouse facilities in Europe (note 14). The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability. The Company depreciates the right-of-use assets on a straight-line basis over the two-year lease term.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

(Unaudited – expressed in Canadian Dollars)

	Right of use asset (\$)
Cost	
Balance, January 1, 2023	-
Additions (note 14)	263,799
Foreign exchange	(7,690)
At September 30, 2023	256,109
Accumulated amortization	
Balance, January 1, 2023	-
Amortization	(90,363)
Foreign exchange	(5,675)
At September 30, 2023	(96,039)
Net carrying value at September 30, 2023	160,070

10. Intangible assets

Intangible assets include the trade name and client relationships acquired in 2021 when the Company purchased 100% of the outstanding shares of 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"). The trade name and client relationships of NFG New Fruit Group GmbH ("New Fruit Group") were acquired in 2023 as described below.

The amortization of trade names and customer and supplier relationships is included in selling, general and administrative expenses on the condensed interim consolidated statement of comprehensive loss.

In January 2023, the Company purchased 100% of the outstanding shares of New Fruit Group, a privately held German corporation and a provider of organic fruits sold throughout Europe. Purchase consideration was made up of the payment of 250,000 euros in cash, the issuance of 2,250,000 common shares of Organto, a promissory note payable of 251,119 euros and an earn-out to the former owners of up to 650,000 euros based on pre-established growth targets to be attained over the next three years (note 16). The promissory note bears interest at 2% and is payable in 2024 and 2025. The promissory note was discounted at 9% based on expected payment dates and recorded at its discounted value of \$291,894. The common shares were issued in May 2023 and are subject to escrow provisions and will become freely tradable in equal amounts over the next five years. The common shares were recorded at a discount to their market value to reflect the trading restrictions.

The preliminary allocation of the purchase price was as follows:

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

(Unaudited – expressed in Canadian Dollars)

	(\$)
Cash paid	361,425
Shares issued	240,660
Promissory note	291,894
Fair value of earn-out payments	135,306
Total consideration	1,029,285
Preliminary allocation of net assets acquired:	
Cash	40,375
Accounts receivable	626,783
VAT receivable	4,020
Inventories	384,888
Grower advances	126,474
Intangible assets	731,642
Goodwill	794,158
Accounts payable and accrued liabilities	(921,524)
Bank loan (note 11)	(668,531)
Deferred income tax liability	(89,000)
	1,029,285

The purchase consideration has been allocated on a preliminary basis to the fair value of assets acquired and liabilities assumed based on management's best estimates taking into account all available information at the time of acquisition as well as applicable information at the time these consolidated financial statements were prepared. The Company will continue to review information and perform further analysis with respect to these assets, prior to finalizing the allocation of the purchase price.

The acquisition method of accounting was used to account for the acquisition of New Fruit Group. Under this method, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date and the excess of the cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill.

The results of operations of New Fruit Group are included in the condensed interim consolidated financial statements of the Company from January 2, 2023, that date being the date on which Organto's control of New Fruit Group commenced, to September 30, 2023 and include \$10,879,943 of sales and \$290,625 of net income. The fair value of the earn-out payments was calculated using the present value of the anticipated future payments, discounted at 33% and is recorded in other long-term liabilities. The carrying value of the earn-out payments will be accreted over the next three years or until fully paid.

Legal and consulting costs related to the acquisition of \$42,187 (\$115,251 in the fourth quarter of 2022) have been charged to professional fees in selling, general and administrative expenses in 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 and software acquired in the purchase of New Fruit Group. Development of this reporting software is expected to continue until its target date for implementation in 2023. Amortization of the software asset will begin upon implementation. Software acquired in the purchase of New Fruit Group is being amortized on a straight-line basis over 10 years.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

(Unaudited – expressed in Canadian Dollars)

	Intangible assets			
	Trade names (\$)	Customer and supplier lists (\$)	Software (\$)	Total (\$)
Cost				
Balance, January 1, 2022	66,070	1,068,231	-	1,134,301
Additions	-	-	118,355	118,355
Impairment	(40,193)	(488,492)	-	(528,685)
Foreign exchange	-	(5,962)	-	(5,962)
At December 31, 2022	25,877	573,777	118,355	718,009
Accumulated amortization				
Balance, January 1, 2022	(12,663)	(34,864)	-	(47,527)
Amortization	(13,214)	(105,665)	-	(118,879)
Foreign exchange	-	(1,265)	-	(1,265)
At December 31, 2022	(25,877)	(141,794)	-	(167,671)
Net carrying value at December 31, 2022	-	431,983	118,355	550,338

	Intangible assets			
	Trade names (\$)	Customer and supplier lists (\$)	Software (\$)	Total (\$)
Cost				
Balance, January 1, 2023	25,877	573,777	118,355	718,009
Additions	-	608,273	142,921	751,194
Foreign exchange	-	-	9,462	9,462
At September 30, 2023	25,877	1,182,050	270,738	1,478,664
Accumulated amortization				
Balance, January 1, 2023	(25,877)	(141,794)	-	(167,671)
Amortization	-	(86,932)	(27,992)	(114,924)
At September 30, 2023	(25,877)	(228,726)	(27,992)	(282,595)
Net carrying value at September 30, 2023	-	953,324	242,746	1,196,069

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Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended September 30, 2023 and 2022 (Unaudited – expressed in Canadian Dollars)

	Goodwill (\$)
Balance at January 1, 2022	757,439
Impairment	(753,019)
Foreign exchange	(4,420)
Net carrying value at December 31, 2022	-
Additions	794,158
Net carrying value at September 30, 2023	794,158

The intangible assets acquired in the New Fruit Group acquisition are not deductible for income tax purposes and deferred income taxes of \$89,000 have been recognized and added to the goodwill's carrying value.

11. Bank loan

The Company assumed a bank loan with an Italian bank when it acquired New Fruit Group. The loan was a line of credit with a maximum of €500,000 and interest at 3.3%. In May 2023 the bank loan and accrued interest was repaid by making a cash payment of €456,919.

12. 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 2022 the repayment deadline for partial loan forgiveness was extended from December 31, 2022 to December 31, 2023 and extended again in 2023 to January 18, 2024. If not repaid by January 18, 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 taxes. Amounts with payment due dates after December 31, 2023 are recognized at fair value and the difference between their fair value and their original amount is recognized as a government grant and any government grant is reported in other loss. Amounts with payment due dates prior to or on December 31, 2023 are recognized at their face value and recorded in accounts payable and accrued liabilities.

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Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended September 30, 2023 and 2022 (Unaudited – expressed in Canadian Dollars)

	September 30, 2023 (\$)	December 31, 2022 (\$)
Current:		
Canada CEBA loan	60,000	60,000
Taxes payable under the Netherlands tax payment extension program	80,544	81,503
	140,544	141,503
Long-term:		
Taxes payable under the Netherlands tax payment extension program	177,221	160,360
	317,765	301,863

13. Short-term loans

During the nine months ended September 30, 2023 the Company received US\$200,000 in an interest-bearing loan from a director of the Company. This loan is unsecured and bears interest at 12%. Principal and interest becomes payable on the earlier of the date on which any or all of the Company's subsidiaries secure effective factoring facilities with a total capacity of no less than 2,950,000 euros and January 6, 2024.

14. Operating lease

The Company began leasing warehouse facilities in January 2023. The lease has a term of two years with monthly cost of €8,820. At the commencement of the lease, the Company recognized a right-of-use asset (note 9) and a lease liability. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability. The Company depreciates the right-of-use assets on a straight-line basis over the two-year lease term. At the commencement date, the Company valued the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate of 16.5%. Over the term of the lease, the liability will be reduced for payments made and increased for interest.

	September 30, 2023 (\$)	December 31, 2022 (\$)
Lease payments due within the next twelve months	132,963	-
Lease payments due later than twelve months (note 16)	36,788	-
	169,751	-

Lease payments due within the next twelve months are reported in accounts payable and accrued liabilities, and lease payments due later than twelve months from the statement date are reported in other long-term liabilities (note 16).

15. Convertible debentures

December 2022 series

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

The debentures were convertible into shares of Organto at \$3.00 per share and interest was not convertible. The holder could convert all or part of the debentures at any time and the Company could prepay all or part of the debentures at any time. The

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Company had the right to force conversion of the debentures any time after April 29, 2021 if the closing price of the Company's shares exceeded \$4.50 or more for ten consecutive trading days.

Debentures with a face value of \$522,000 were converted in 2021 resulting in the issuance of 1,739,995 common shares and debentures with a face value of \$41,000 were prepaid in 2022.

On their maturity date of December 29, 2022, \$1,655,850 were repaid by issuing new convertible debentures ("December 2024 series" below). The remaining \$1,138,000 of debentures were repaid in cash in January 2023.

January 2023 series

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

The debentures were convertible into shares of Organto at \$3.00 per share and interest was not convertible. The holder could convert all or part of the debentures at any time and the Company could prepay all or part of the debentures at any time. The Company had the right to force conversion of the debentures any time after May 5, 2021 if the closing price of the Company's shares exceeded \$4.50 or more for ten consecutive trading days.

These debentures were repaid in cash in January 2023.

December 2024 series A

In December 2022 the Company issued convertible debentures with a total face value of \$1,655,850. The December 2024 debentures are unsecured and have a term of two years and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance.

The debentures are convertible into shares of Organto at \$3.00 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after April 29, 2023, the closing price of the Company's shares exceeds \$4.50 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures.

The issuance of this series of debentures was considered an extinguishment of the December 2022 series of debentures. As such, the fair value of both the debt component and the equity component of the debentures must be calculated with any excess over face value, together with any transaction costs recorded as a loss.

The Company recorded \$1,483,600 as the fair value of the debt component of the debentures, and \$201,823 as the fair value of the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two-year term.

With a maturity date of December 29, 2024, this series of debentures is classified as long-term.

December 2024 series B

In March 2023 the Company completed an offering of convertible debentures with a total face value of \$500,000. The debentures are unsecured and have a term expiring on December 20, 2024, the same expiry date as the December 2024 series A of debentures. The series B debentures bear interest at 10% annually, payable in arrears beginning one year after their date of issuance.

The debentures are convertible into shares of Organto at \$3.00 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after July 29, 2023, the closing price of the Company's shares exceeds \$4.50 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures.

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The Company recorded \$465,000 as the fair value of the debt component of the debentures, with the residual amount of \$35,000 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the twenty-one month term. A total of \$30,000 in transaction costs was allocated to the liability and the equity components of the debentures.

With a maturity date of December 29, 2024, this series of debentures is classified as long-term.

February 2025 series

In February 2023 the Company completed an offering of convertible debentures with a total face value of \$295,000. The debentures are unsecured and have a term of two years and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance.

The debentures are convertible into shares of Organto at \$3.00 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after June 28, 2023, the closing price of the Company's shares exceeds \$4.50 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures.

The Company recorded \$271,105 as the fair value of the debt component of the debentures, with the residual amount of \$23,895 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two-year term.

Transaction costs totaled \$21,417 and included \$17,700 in cash and 59,000 warrants with each warrant entitling the holder to purchase one common share at a price of \$3.00 for a period of two years. These finder warrants have a total fair value of \$3,717 determined using the Black-Scholes Option Pricing Model (note 17(d)). These transaction costs were allocated to the liability and the equity components of the debentures.

With a maturity date of February 28, 2025, this series of debentures is classified as long-term.

March 2025 series

In March 2023 the Company completed an offering of convertible debentures with a total face value of \$238,000. The debentures are unsecured and have a term of two years and bear interest at 10% annually, payable in arrears beginning one year after their date of issuance.

The debentures are convertible into shares of Organto at \$3.00 per share and interest is not convertible. The holder may convert all or part of the debentures at any time. If, at any time after July 28, 2023, the closing price of the Company's shares exceeds \$4.50 or more for ten consecutive trading days, the Company has the right to force conversion of the debentures.

The Company recorded \$218,960 as the fair value of the debt component of the debentures, with the residual amount of \$19,040 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two-year term.

Transaction costs totaled \$16,708 and included \$14,280 in cash and 47,600 warrants with each warrant entitling the holder to purchase one common share at a price of \$3.00 for a period of two years. These finder warrants have a total fair value of \$2,428 determined using the Black-Scholes Option Pricing Model (note 17(d)). These transaction costs were allocated to the liability and the equity components of the debentures.

With a maturity date of March 28, 2025, this series of debentures is classified as long-term.

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November 2026 series

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

The debentures are convertible into shares of Organto at \$5.00 per share and interest is not convertible. The holder may convert all or part of the debentures at any time after November 30, 2023. If, at any time after November 30, 2023, the 20-day volume weighted average trading price of the Company's shares on the TSXV exceeds \$6.25, the Company has the right to force conversion of the debentures. The Company may repay all or a portion of the convertible debentures by issuing common shares worth \$1,053 based on their current market price for each \$1,000 face value of convertible debentures. The Company may also pay all or a portion of the interest payable by issuing common shares to the debenture trustee who shall sell the common shares and use the proceeds to pay the interest due to debenture holders.

The Company 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 \$5.00 for a period of two years. A total of \$1,215,515 in transaction costs was allocated to the liability and the equity components of the debentures.

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, 2022	8,679,342
Convertible debentures issued for cash	1,033,000
Allocated to equity component	(77,935)
Transaction costs allocated to debt component	(62,953)
Accretion	419,512
Repaid in cash	(1,448,000)
Balance at September 30, 2023	8,542,966

Convertible debentures by maturity:

Maturing in less than one year	1,446,804
Maturing in more than one year	7,232,538
Balance at December 31, 2022	8,679,342
Maturing in less than one year	-
Maturing in more than one year	8,542,966
Balance at September 30, 2023	8,542,966

Accrued interest on all outstanding debentures at September 30, 2023 totals \$489,025 (December 31, 2022 - \$719,122) and is recorded in accounts payable and accrued liabilities.

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16. Other liabilities

Other liabilities is comprised of:

	September 30, 2023 (\$)	December 31, 2022 (\$)
Operating lease – long-term portion (note 14)	36,788	-
Earnouts payable – long-term portion (note 10)	124,186	-
Promissory note – long-term portion (note 10)	301,350	-
	462,324	-

As part of the consideration paid for the acquisition of New Fruit Group, the Company entered into an agreement with the former managers who continue to manage New Fruit Group whereby if certain growth targets are achieved in the three years after acquisition, up to €650,000 could be payable. The fair value of the earnout liability was calculated by discounting the expected future payments and will be accreted to their face value over their term or until fully paid. The portion of the earnout expected to be paid within one year is \$26,300 and is recorded in accounts payable and accrued liabilities. The balance of the earnout expected to be paid is recorded as a long-term liability. Both current and long-term portions of the earnout liability will be accreted to the amounts expected to be paid over the next three years.

Part of the consideration paid to acquire New Fruit Group was the issuance of a promissory note by the Company to the former shareholders of New Fruit Group. The promissory note bears interest at 2% and is for €251,119 with payments due in 2024 and 2025. The fair value of the promissory note was calculated by discounting the future payments and will be accreted to its face value over its three-year term.

17. Share capital

(a) Common shares

The Company is authorized to issue an unlimited number of common shares without par value. At September 30, 2023 the Company had 28,568,382 (December 31, 2022 - 28,223,382) common shares issued and outstanding.

(b) Stock 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 stock options already reserved for issuance under the 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.

30,000 options were granted in March 2023 and 100,000 options were granted in June 2023. 26,000 of these options vested immediately and 26,000 will vest in each of 2024, 2025, 2026 and 2027. The fair value of the options granted in the nine months ended September 30, 2023 was \$91,700 (2022 - \$15,900). No options were granted in the three months ended September 30, 2023.

The Company recorded a stock-based compensation expense relating to options that vested of \$100,775 (2022 - \$164,412) for the three months ended September 30, 2023 and \$349,115 (2022 - \$550,755) for the nine months ended September 30, 2023.

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

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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 2023 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatilities of 104-109%, risk free interest rates of 2.88-3.56%, expected lives of 5 years and no dividend yield.

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

	Total options		Exercisable options	
	Total options	Weighted average exercise price (\$)	Exercisable options	Weighted average exercise price (\$)
Balance, January 1, 2022	2,187,000	1.93	1,315,575	1.46
Granted	153,500	2.23	37,200	2.21
Vested	-	-	370,100	2.24
Exercised	(150,000)	0.70	(150,000)	0.70
Expired	(197,000)	2.12	(165,375)	1.92
Balance at December 31, 2022	1,993,500	2.03	1,407,500	1.71
Granted	130,000	1.48	26,000	1.48
Vested	-	-	94,600	1.90
Exercised	(100,000)	0.70	(100,000)	0.70
Forfeited	(21,300)	2.61	-	-
Expired	(63,700)	1.56	(63,700)	1.56
Balance at September 30, 2023	1,938,500	2.07	1,364,400	1.80

The average share price during the nine months ended September 30, 2023 on the dates when options were exercised was \$1.15 (2022 – \$1.26).

A summary of the Company's stock options outstanding and exercisable at September 30, 2023 is as follows:

Exercise price (\$)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.70	1.23	300,000	292,000
0.80	0.68	6,000	6,000
1.00	1.89	276,000	248,400
1.35	1.44	361,500	281,500
1.80	2.18	30,000	30,000
1.90	4.48	30,000	6,000
2.10	4.23	130,000	65,000
2.65	2.19	167,500	112,500
2.85	2.32	70,000	54,000
3.00	3.18	174,500	71,000
3.50	3.33	15,000	6,000
3.70	3.13	333,000	153,000
4.20	2.41	30,000	30,000
4.30	2.89	15,000	9,000
	2.30	1,938,500	1,364,400

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(c) Restricted share units

The Company has adopted a restricted share unit (“RSU”) plan to issue RSUs whereby the total aggregate RSUs and stock options outstanding may be up to 10% of its issued capital at the time of an applicable option grant. Under the RSU plan, the Company’s Board of Directors may from time to time, grant RSUs to directors, officers, employees or consultants. The vesting terms of an RSU are at the discretion of the Board of Directors. The option to settle the RSUs in cash or in shares is also at the option of the Board of Directors.

In June 2023 the Company granted 50,000 RSUs which will vest 50% in one year and 25% each six months thereafter. The fair value of each RSU is determined using the closing price of the common shares of the Company on the date of grant. The Company recorded a stock-based compensation expense of \$180,695 (2022 - \$134,729) for the nine months ended September 30, 2023 and \$57,657 (2022 - \$64,760) for the nine months ended September 30, 2023.

At September 30, 2023 a total of 407,500 RSUs were outstanding, of which 175,000 had vested. 20,000 RSUs were exercised in July 2023 and 20,000 common shares were issued. No vested RSUs were paid in the nine months ended September 30, 2023 and 2022.

(d) Warrants

The Company issued 10,660 warrants in connection with the convertible debentures issued in February and March 2023. These warrants are exercisable for a period of two years at an exercise price of \$3.00 per share. The fair value of these warrants of \$6,145 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 109%, risk free interest rate of 4.03%, expected life of 2 years and no dividend yield. The value of these warrants was classified as a transaction cost for the debentures and is recorded as an offset to the convertible debentures balance and will be amortized over the expected terms of the debentures.

Warrants outstanding and exercisable at September 30, 2023 are as follows:

Grant date	Number of warrants	Exercise price (\$)	Expiry Date
November 2021	96,600	5.00	November 2023
December 2022	18,428	3.00	December 2024
February 2023	5,900	3.00	February 2025
March 2023	4,760	3.00	March 2025
	125,688	4.54	

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

	Number of warrants	Weighted average exercise price (\$)
Balance at January 1, 2022	170,567	3.94
Issued	18,428	3.00
Exercised	(12,186)	0.75
Expired	(55,581)	1.70
Balance at December 31, 2022	121,228	4.59
Issued	18,428	3.00
Expired	(6,200)	3.00
Balance at September 30, 2023	125,688	4.54

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The average share price on the date of exercise of the warrants was \$1.50 in 2022.

(e) Reserves

	Options and RSUs (\$)	Warrants (\$)	Other reserves (\$)	Cumulative translation (\$)	Total (\$)
Balance, January 1, 2022	1,468,159	476,237	888,171	737,252	3,569,819
Stock-based compensation	917,017	-	-	-	917,017
Exercise of stock options	(73,500)	-	-	-	(73,500)
Convertible debentures prepaid	-	-	(665)	-	(665)
Issue of convertible debentures	-	-	201,823	-	201,823
Fair value of warrants issued	-	11,610	-	-	11,610
Accumulated comprehensive loss	-	-	-	(266,255)	(266,255)
Balance at December 31, 2022	3,632,585	746,735	2,601,095	414,573	7,394,988
Stock-based compensation	529,810	-	-	-	529,810
Exercise of stock options	(49,000)	-	-	-	(49,000)
Exercise of restricted share units	(49,000)	-	-	-	(49,000)
Issue of convertible debentures	-	-	72,764	-	72,764
Fair value of warrants issued	-	6,145	-	-	6,145
Accumulated comprehensive loss	-	-	-	(77,102)	(77,102)
Balance at September 30, 2023	4,064,395	752,880	2,673,859	337,471	7,828,605

18. Cost of sales

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Produce purchases (note 5)	5,201,833	3,462,534	17,811,481	13,344,467
Freight	394,183	557,949	1,007,241	1,314,759
Packaging and other	238,343	360,965	672,146	953,349
Amortization (note 10)	(598)	-	17,764	-
	5,833,761	4,381,448	19,508,632	15,612,575

Cost of sales in the three months ended September 30, 2023 includes a correction of warehouse lease costs (note 14) previously allocated to cost of sales earlier in the year.

19. Selling, general and administration expenses

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Administration and office (note 21)	376,846	408,454	1,368,559	1,252,308
Professional fees	186,031	73,189	640,461	569,645
Amortization (note 10)	67,552	29,513	187,523	89,041
Bad debt expense	-	31,802	2,767	39,933
	630,429	542,958	2,199,310	1,950,927

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20. Gain on settlement of debt

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Gain on settlement of accounts payable	-	-	11,584	-

21. Related party transactions

(a) Directors and key management personnel compensation:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Salaries, consulting and management fees	180,197	233,194	656,353	766,175
Stock based compensation	135,988	180,927	445,030	519,639
	316,185	414,121	1,101,382	1,285,814

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the nine-month periods ended September 30, 2023 and 2022.

(b) Transactions with related parties:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Administrative services	140,165	158,022	482,440	415,602
Produce purchases	-	-	-	206,241

(c) Outstanding balances payable (receivable):

	September 30, December 31,	
	2023	2022
	(\$)	(\$)
Salaries, consulting and management fees	142,359	107,019
Interest on convertible debentures	-	37,356
Administration services	53,258	-
Expense reimbursements	10,957	5,111
Advances to suppliers (note 6)	(502,074)	(516,554)
Product sales	-	(21,112)

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22. Supplemental cash flow information

	Nine months ended September 30	
	2023 (\$)	2022 (\$)
Items not involving cash:		
Amortization	205,287	89,041
Bad debt expense	2,767	39,933
Stock-based compensation	529,810	685,484
Interest expense and accretion	1,297,057	1,706,664
Foreign currency translation	(155,090)	(256,872)
Other loss	149,025	20,968
Gain on settlement of debt	(11,584)	-
Unrealized loss on revaluation of investment securities	66,291	868,391
Unrealized gain on revaluation of derivatives	(12,845)	(236,405)
	2,070,803	2,917,204
Changes in non-cash working capital:		
Receivables	179,032	558,901
Inventories	210,966	166,802
Grower advances	(47,568)	(628,356)
Prepaid expenses	44,411	(9,342)
Accounts payable and accrued liabilities	87,518	(638,203)
Factored accounts receivable	(471,633)	-
	2,726	(550,198)
Non-cash investing and financing activities includes the following:		
Common shares issued or issuable:		
as part of New Fruit Group acquisition	240,660	-
as part of Beeorganic acquisition	-	402,816
as part of ZMS business acquisition	-	394,954
Promissory note issued as part of New Fruit Group acquisition	291,894	-
Earnout liability from New Fruit Group acquisition	135,306	-

23. Segmented information

The Company has one reportable business segment, being the sourcing, processing, packaging, distribution and marketing of organic and specialty food products in Europe.

In the nine months ended September 30, 2023, 41% of the Company's sales were to 3 customers with each customer accounting for at least 5% of total sales. In the nine months ended September 30, 2022, 33% of the Company's sales were to 4 customers with each customer accounting for at least 5% of total sales. In the three months ended September 30, 2023, 60% of the Company's sales were to 5 customers with each customer accounting for at least 5% of total sales. In the three months ended September 30, 2022, 60% of the Company's sales were to 6 customers with each customer accounting for at least 5% of total sales.

In the nine months ended September 30, 2023, 48% of the Company's purchases were from 4 suppliers with each supplier accounting for at least 5% of total purchases. In the nine months ended September 30, 2022, 39% of the Company's purchases

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were from 3 suppliers with each supplier accounting for at least 5% of total purchases. In the three months ended September 30, 2023, 55% of the Company's purchases were from 4 suppliers with each supplier accounting for at least 5% of total purchases. In the three months ended September 30, 2022, 43% of the Company's purchases were from 4 suppliers with each supplier accounting for at least 5% of total purchases.

Information by geographical areas is as follows:

	September 30, 2023 (\$)	December 31, 2022 (\$)
Non-current assets		
Canada	-	-
Europe	3,592,110	1,435,567
	3,592,110	1,435,567

24. Commitments

At September 30, 2023 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	240,472	-	-	240,472
Administration services	2,143	-	-	2,143
Labour and benefits	317,036	20,930	-	337,966
Property lease	151,214	37,803	-	189,017
Software development costs	98,097	55,780	-	153,878
Forward currency exchange contracts	12,224,314	-	-	12,224,314
	13,033,275	114,514	-	13,147,790

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\$15.8 million.

25. Subsequent events

Restricted cash

In October and November 2023, a total of \$6,719 was returned to the Company.

Stock options

In October 2023, 35,000 stock options were granted to employees with an exercise price of \$0.50 per share and a term of five years. 7,000 of these options vested immediately and the balance will vest between 2024 and 2028.

Private placement

In November 2023, the Company announced plans to raise up to \$2 million through a non-brokered private placement of 6,060,606 common shares at a price of \$0.33 per share. The Company may pay certain eligible finders a finder's fee comprising a cash commission of up to 6% of the gross proceeds of the offering and finder's warrants equal to up to 6% of gross proceeds under the offering. Such finder's warrants shall entitle the holder to acquire one common share of the Company at a price of \$0.50 for a period of 24 months from the closing date. All securities issued in connection with the offering will be subject to a hold period of four months from the date of closing. The private placement is subject to the acceptance of the TSX Venture Exchange.