

# **ORGANTO FOODS INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**For the Nine Months Ended  
September 30, 2021**

**(Stated in Canadian Dollars)**

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

	September 30, 2021 (\$)	December 31, 2020 (\$)
<b>Assets</b>		
Current assets		
Cash	1,610,978	4,133,730
Receivables (note 3)	1,652,684	915,203
Inventories (note 4)	107,207	40,163
Prepaid expenses (note 5)	1,698,956	641,390
	5,069,825	5,730,486
Non-current assets		
Investment securities (note 6)	1,157,701	1,040,582
Intangible assets (note 7)	427,688	-
	<b>6,655,214</b>	<b>6,771,068</b>
<b>Liabilities and shareholders' deficit</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 15(c))	4,064,669	2,854,444
Short-term loans payable (note 8)	-	295,954
	4,064,669	3,150,398
Non-current liabilities		
Bank loan (note 9)	-	829,454
CEBA loan (note 10)	60,000	60,000
Convertible debentures (note 11)	2,896,408	2,969,127
	<b>7,021,077</b>	<b>7,008,979</b>
<b>Total liabilities</b>		
Shareholders' deficit		
Share capital (note 12(a))	27,970,303	24,344,434
Shares to be issued (note 12(a))	-	72,006
Reserves (note 12(e))	4,239,691	3,569,819
Deficit	(32,575,857)	(28,224,170)
	<b>(365,863)</b>	<b>(237,911)</b>
	<b>6,655,214</b>	<b>6,771,068</b>

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	
	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
Sales	4,298,282	2,737,081	14,443,506	6,510,856
Cost of sales (note 13)	3,769,264	2,451,130	12,807,686	5,831,924
Gross profit	529,018	285,951	1,635,820	678,932
Selling, general and administration expenses (note 14)	558,968	163,250	1,509,388	538,566
Management fees (note 16(a))	236,040	175,180	703,585	482,070
Labour costs and benefits	650,954	285,025	1,803,121	704,660
Stock-based compensation (notes 12(b) and 12(c))	154,948	97,691	760,426	226,696
	(1,071,892)	(435,195)	(3,140,700)	(1,273,060)
Interest expense and accretion, net	(176,980)	(91,765)	(620,833)	(233,129)
Other income	18,505	3,890	67,540	12,466
Unrealized gain on investment securities (note 6)	-	-	93,411	-
Foreign exchange gain (loss)	(2,414)	78,868	(35,721)	76,995
Gain (loss) on settlement of debt (note 15)	(715,384)	4,735	(715,384)	4,735
Financing costs	-	(70,500)	-	(97,396)
Net loss for the period	(1,948,165)	(509,967)	(4,351,687)	(1,509,389)
Other comprehensive loss for the period:				
Foreign currency translation	(20,585)	(25,966)	(43,944)	(225,184)
<b>Comprehensive loss for the period</b>	<b>(1,968,750)</b>	<b>(535,933)</b>	<b>(4,395,631)</b>	<b>(1,734,573)</b>
Loss per share:				
Basic and diluted	(0.01)	(0.00)	(0.02)	(0.01)
Shares used in computing loss per share:				
Basic and diluted	257,660,258	195,094,834	252,844,118	181,180,859

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	
	2021	2020
	(\$)	(\$)
<b>Operating activities</b>		
Net loss for the period	(4,351,687)	(1,509,389)
Items not involving cash		
Amortization	27,644	3,377
Bad debt expense	3,761	30,538
Stock-based compensation	760,426	226,696
Interest expense and accretion	620,835	233,129
Foreign currency translation	(44,963)	(119,691)
Other income	(52,505)	8,178
Unrealized gain on investment securities	(93,411)	-
Loss (gain) on extinguishment of debt	715,384	(4,735)
Financing costs	-	74,966
	(2,414,516)	(1,056,931)
Changes in non-cash working capital (note 17)	(981,632)	(219,376)
Cash used in operating activities	(3,396,148)	(1,276,307)
<b>Investing activities</b>		
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	(160,246)	-
<b>Financing activities</b>		
Proceeds from convertible debentures, net of issue costs	292,000	996,500
Proceeds from private placement of shares, net of issue costs	-	1,443,895
Proceeds from exercise of warrants	1,152,920	-
Proceeds from exercise of stock options	55,250	-
Proceeds from sale of investment securities	10,292	-
Proceeds from bank loan, net of issue costs	-	680,367
Repayments of bank loan	-	(680,367)
Proceeds from short term loans	-	489,920
Repayments of short term loans	(295,954)	(613,611)
Interest paid	(198,319)	(163,581)
Cash from financing activities	1,016,189	2,153,123
Effect of foreign exchange on cash	17,453	(47,154)
Increase (decrease) in cash	(2,522,752)	829,662
Cash, beginning of period	4,133,730	54,565
<b>Cash, end of period</b>	<b>1,610,978</b>	<b>884,227</b>

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 (Deficit)

For the Nine Months Ended September 30, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

	Number of shares	Share capital (\$)	Shares to be issued (cancelled) (\$)	Reserves (\$)	Deficit (\$)	Total (\$)
Balance at January 1, 2020	165,016,934	17,061,697	(440,494)	2,737,436	(21,169,425)	(1,810,786)
Stock-based compensation	-	-	-	226,696	-	226,696
Shares issued in private placement	30,077,900	1,503,895	-	-	-	1,503,895
Warrants issued in private placement	-	(70,000)	-	70,000	-	-
Finders warrants issued	-	-	-	4,466	-	4,466
Warrants issued on loan extension	-	-	-	70,500	-	70,500
Conversion option of convertible debentures	-	-	-	70,100	-	70,100
Comprehensive loss for the period	-	-	-	(225,184)	(1,509,389)	(1,734,573)
<b>Balance at September 30, 2020</b>	<b>195,094,834</b>	<b>18,495,592</b>	<b>(440,494)</b>	<b>2,954,014</b>	<b>(22,678,814)</b>	<b>(1,669,702)</b>
Balance at January 1, 2021	243,647,951	24,344,434	72,006	3,569,819	(28,224,170)	(237,911)
Stock-based compensation	2,000,000	512,500	(512,500)	760,426	-	760,426
Exercise of warrants	11,668,932	1,152,920	-	-	-	1,152,920
Exercise of stock options	480,000	55,250	-	-	-	55,250
Shares issued on purchase of Fresh Organic Choice BV	839,570	179,495	-	-	-	179,495
Shares issued on conversion of debentures	2,839,995	577,000	-	(54,465)	-	522,535
Shares issued to settle bank loan	3,210,500	1,589,198	-	-	-	1,589,198
Shares cancelled as part of sale of processing plant	(5,873,357)	(440,494)	440,494	-	-	-
Conversion option of convertible debentures	-	-	-	7,855	-	7,855
Comprehensive loss for the period	-	-	-	(43,944)	(4,351,687)	(4,395,631)
<b>Balance at September 30, 2021</b>	<b>258,813,591</b>	<b>27,970,303</b>	<b>-</b>	<b>4,239,691</b>	<b>(32,575,857)</b>	<b>(365,863)</b>

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, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

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#### 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 non-GMO vegetable and fruit products. The Company employs an asset-light business model to provide year-round supply of a number of organic and non-GMO fruit and vegetable products to a growing base of socially responsible and health conscious consumers. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSXV") under the stock symbol "OGO" 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 million 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 outbreak. Essential food supply chains have been maintained in 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 unknown and difficult to predict. An extended pandemic outbreak including the potential of 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, 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. In addition, consumers may decrease their level of purchasing activity or alter their shopping and consumption patterns, which would also adversely impact the Company's sales. 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 the 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, 2021, the Company had working capital of \$1,005,156 (December 31, 2020 - \$2,580,088) and an accumulated deficit of \$32,575,857 (December 31, 2020 - \$28,224,170). 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.

#### 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, 2020.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 25, 2021.

## Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2021 and 2020  
(Unaudited - expressed in Canadian Dollars)

### 3. Receivables

	September 30, 2021 (\$)	December 31, 2020 (\$)
Trade receivables	1,568,089	861,446
VAT recoverable	69,727	2,471
Insurance claims receivable	-	35,973
Other	14,868	15,313
	<b>1,652,684</b>	<b>915,203</b>

### 4. Inventories

	September 30, 2021 (\$)	December 31, 2020 (\$)
Finished goods	107,207	40,163
	<b>107,207</b>	<b>40,163</b>

### 5. Prepaid expenses

	September 30, 2021 (\$)	December 31, 2020 (\$)
Advances to third-party producers	1,669,190	635,223
Prepaid insurance	16,666	6,167
Other advances and retainers	13,100	-
	<b>1,698,956</b>	<b>641,390</b>

### 6. Investment securities

In June 2019 Organto entered into a share purchase agreement to sell its shares of Medicannabis S.A.S. ("Medicannabis") and related intellectual property ("IP") consisting of licenses and seed and cultivar rights to Xebra Brands Ltd. ("Xebra") for a combination of shares of Xebra, cash, forgiveness of debt and a right of first refusal ("ROFR") to distribute Xebra's cannabis products throughout Europe. Xebra is an emerging, privately held 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.

Under the terms of the agreement, Organto, together with the former shareholders and certain advisers of Medicannabis, received a total of 10,000,000 common shares of Xebra, with Organto receiving 7,124,630 common shares and the former shareholders and advisers of Medicannabis receiving 2,875,370 common shares. The Company received shareholder approval and TSXV acceptance of this transaction in October 2019 and final completion of the transaction occurred in December 2019. Upon receipt of Xebra shares in December 2019, the former shareholders and advisers of Medicannabis returned the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis in November 2018 and these shares were cancelled.

During the second quarter of 2021 the Company returned 514,625 shares of Xebra to Xebra for proceeds of \$10,292. No gain or loss was realized on this transfer as the proceeds were equal to the carrying value of the shares.

## Organto Foods Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

During the second quarter of 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.

As they were not yet publicly traded at September 30, 2021 or December 31, 2020, the fair value of the Xebra shares is estimated using a combination of the price of the most recent funding involving financing from external investors and expected proceeds for a total carrying value of \$1,157,701 at September 30, 2021 (December 31, 2020 - \$1,040,582).

#### 7. Intangible assets

Intangible assets include the trade name and client relationships acquired when the Company purchased 100% of the outstanding shares of Fresh Organic Choice BV ("Fresh Organic Choice"). Trade names are being amortized over 5 years and customer relationships over 10 years. Their amortization is included in selling, general and administrative expenses on the consolidated statement of comprehensive loss.

	Trade names (\$)	Customer lists (\$)	Goodwill (\$)	Total (\$)
<b>Cost</b>				
Balance, January 1, 2021	-	-	-	-
Acquisition of subsidiaries	66,070	258,132	131,130	455,332
<b>At September 30, 2021</b>	<b>66,070</b>	<b>258,132</b>	<b>131,130</b>	<b>455,332</b>
<b>Accumulated amortization</b>				
Balance, January 1, 2021	-	-	-	-
Amortization	(9,360)	(18,284)	-	(27,644)
<b>At September 30, 2021</b>	<b>(9,360)</b>	<b>(18,284)</b>	<b>-</b>	<b>(27,644)</b>
<b>Net carrying value at September 30, 2021</b>	<b>56,710</b>	<b>239,848</b>	<b>131,130</b>	<b>427,688</b>

In January 2021, the Company purchased 100% of the outstanding shares of Fresh Organic Choice, a privately held Dutch corporation and a provider of a wide range of year-round fresh cut organic herbs, marketed under the Fresh Organic Choice brand and sold throughout Europe. Purchase consideration was made up of the payment of 150,000 euros in cash, the issuance of 839,570 common shares of Organto and an earn-out to the former owner of up to 100,000 euros based on pre-established growth targets to be attained over the next three years. The common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

The 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, 2021 and 2020  
(Unaudited - expressed in Canadian Dollars)

	(\$)
Cash paid	230,475
Shares issued	179,496
Fair value of earn-out payments	117,553
<b>Total consideration</b>	<b>527,524</b>
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Net assets acquired:	
Cash	70,229
Accounts receivable	288,935
VAT receivable	15,156
Inventories	33,726
Intangible assets	324,202
Goodwill	131,130
Accounts payable and accrued liabilities	(335,854)
	<b>527,524</b>

The results of operations of Fresh Organic Choice are included in the consolidated financial statements of the Company from January 15, 2021, that date being the date on which Organto's control of Fresh Organic Choice commenced. The fair value of the earn-out payments was calculated using the present value of the anticipated future payments, discounted at 31% and is recorded in accrued liabilities. Based on the historical performance of Fresh Organic Choice, the earn-out targets are expected to be fully achieved in the first year and the carrying value of the earn-out payments will be accreted over the next year or until fully paid.

Legal costs related to the acquisition of \$17,700 have been charged to professional fees in selling, general and administrative expenses and employee costs related to the acquisition of \$27,900 have been charged to labour and benefits in the consolidated statement of comprehensive loss.

The acquisition method of accounting was used to account for the acquisition of Fresh Organic Choice. 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.

### 8. Short-term loans payable

During the year ended December 31, 2018 the Company received \$647,402 in interest-bearing loans from insiders and certain shareholders. These loans were unsecured and bore interest at rates between 0 and 8%. In 2019 the interest rate was changed to 8% on these loans and in 2020 the interest rate was again changed to 12% on these loans. At December 31, 2020 the balance remaining on these loans totalled \$295,954 and this amount, together with accrued interest, was paid in January 2021.

## Organto Foods Inc.

### Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

A continuity of loan balances is shown below:

	(\$)
Balance at January 1, 2020	1,097,024
New loans	484,070
Principal repaid	(974,314)
To settle accounts payable	72,603
Convertible debenture issued	(357,650)
Common shares issued	(60,000)
Foreign exchange	34,221
<b>Balance at December 31, 2020</b>	<b>295,954</b>
Principal repaid	(295,954)
<b>Balance at September 30, 2021</b>	<b>-</b>

#### 9. Bank loan

In January 2019, the Company established a revolving credit facility with a Mexican bank for up to US\$500,000. Interest was payable monthly at 12% on any funds borrowed. Borrowed funds were required to be repaid within 180 days after which they could then be re-borrowed. In June 2020 the credit facility was increased to US\$1,000,000. The credit facility was guaranteed by a convertible debenture which could be issued in order to settle the principal amount borrowed. In October 2020, a convertible debenture with a face value of \$677,500 was issued and immediately converted into 13,550,000 common shares to settle US\$500,000 of the credit facility. In November 2020, a convertible debenture with a face value of \$677,500 was issued and immediately converted into 13,550,000 common shares to settle the remaining US\$500,000 of the credit facility.

In December 2020, a new bank loan with a term of 2 years was established with the same 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 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 (note 15).

A continuity of the balance is shown as follows:

	(\$)
Balance at January 1, 2020	650,894
Proceeds from 12% credit facility	1,362,369
Payments made to 12% credit facility	(672,916)
Settled with shares by way of convertible debentures	(1,355,000)
Proceeds from 8% credit facility	962,625
Loan issue costs	(126,129)
Foreign exchange	7,611
<b>Balance at December 31, 2020</b>	<b>829,454</b>
Amortization of loan issue costs	36,785
Settled with shares by way of convertible debentures	(963,150)
Un-amortized loan issue costs	89,334
Foreign exchange	7,577
<b>Carrying value at September 30, 2021</b>	<b>-</b>

## Organto Foods Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

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#### 10. CEBA loan

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. The loan can be repaid at any time and \$20,000 of the loan will be forgiven if repaid in full before December 31, 2022. If not repaid by December 31, 2022, the loan can be converted into a 3-year term loan at 5% annual interest paid monthly effective January 1, 2023.

#### 11. 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.

##### 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 shares at a price of \$0.30 for a period of two years. These finder warrants have a total fair value of \$65,691.

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

##### 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.

## Organto Foods Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2021 and 2020

(Unaudited - expressed in Canadian Dollars)

The Company recorded \$284,144 as the fair value of the debt component of the debentures, with the residual amount of \$25,856 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.

Transaction costs associated with the January 2023 debentures were recorded in 2020 together with the costs associated with the December 2022 series.

Accrued interest on all outstanding debentures of \$189,145 is recorded in accrued liabilities.

A summary of the convertible debt is as follows:

	(\$)
Convertible debentures issued for:	
Cash	3,517,457
To settle accounts payable	201,550
To settle short term loans	357,093
To settle accrued interest	1,050
	<hr/> 4,077,150
Allocated to equity component	(298,907)
Transaction costs	(197,088)
Accretion	61,652
Converted	(673,680)
	<hr/>
<b>Balance at December 31, 2020</b>	<b>2,969,127</b>
Convertible debentures issued for cash	310,000
Allocated to equity component	(7,856)
Transaction costs	(18,000)
Accretion	165,673
Converted	(522,536)
	<hr/>
<b>Balance at September 30, 2021</b>	<b>2,896,408</b>

See note 20.

## 12. Share capital

### (a) Common shares

The Company is authorized to issue an unlimited number of common shares without par value. At September 30, 2021 the Company had 258,813,591 (December 31, 2020 - 243,647,951) common shares issued and outstanding.

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 may be issued to the supplier over the term of the agreement based on the delivery of minimum annual volume targets. The issuance of these shares under the supply agreement is subject to the acceptance of the TSXV.

In January 2021 the Company issued 839,570 common shares as part of the consideration paid to acquire 100% of Fresh Organic Choice, a privately held Dutch corporation engaged in the sale of fresh-cut organic herbs and marketed under the Fresh Organic Choice brand as well as in private label formats to customers throughout Europe. These common shares are subject to escrow provisions and will become freely tradable in equal amounts over the next three years.

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

## Organto Foods Inc.

### Notes to the Condensed Interim Consolidated Financial Statements For the Nine Months Ended September 30, 2021 and 2020 (Unaudited - expressed in Canadian Dollars)

from the sale of these processing assets included the cancellation and return to treasury of 5,873,357 common shares of the Company.

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 issued in April 2021.

See also note 20.

#### (b) 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.

1,350,000 share options were granted during the nine months ended September 30, 2021. 300,000 of these share options vested immediately on grant, 150,000 will vest later in 2021, 450,000 will vest in 2022 and 150,000 will vest in each of 2023, 2024 and 2025.

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, 2020	13,010,000	0.124	6,103,750	0.147
Granted	5,880,000	0.155	1,191,000	0.158
Vested	-	-	3,158,750	0.087
Forfeited	(1,000,000)	0.18	-	-
Expired	(1,565,000)	0.191	(1,565,000)	0.191
<b>Balance at December 31, 2020</b>	<b>16,325,000</b>	<b>0.125</b>	<b>8,888,500</b>	<b>0.119</b>
Granted	1,350,000	0.346	300,000	0.347
Vested	-	-	2,571,000	0.113
Exercised	(480,000)	0.115	(480,000)	0.115
Expired	(400,000)	0.10	(400,000)	0.10
<b>Balance at September 30, 2021</b>	<b>16,795,000</b>	<b>0.144</b>	<b>10,879,500</b>	<b>0.125</b>

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A summary of the Company's share options outstanding and exercisable at September 30, 2021 is as follows:

Exercise price (\$)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.07	3.21	5,525,000	4,372,500
0.08	2.68	60,000	-
0.10	3.89	2,880,000	1,607,000
0.135	2.20	2,765,000	1,935,000
0.15	1.75	600,000	480,000
0.18	1.57	1,745,000	1,595,000
0.265	4.23	1,870,000	440,000
0.285	4.32	700,000	230,000
0.385	4.72	200,000	40,000
0.42	4.41	300,000	150,000
0.43	4.89	150,000	30,000
	<b>3.15</b>	<b>16,795,000</b>	<b>10,879,500</b>

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 2021 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 116-120%, risk free interest rates of 0.33%-0.80%, expected lives of 5 years and no dividend yield.

The fair value of the options granted during the nine months ended September 30, 2021 was \$372,950 (2020 - \$212,060). The Company recorded \$116,906 in the three months ended September 30, 2021 (2020 - \$97,691) and \$475,012 (2020 - \$226,696) in the nine months ended September 30, 2021 as stock-based compensation expense relating to options that vested.

#### (c) 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 has 2,500,000 RSUs reserved for issuance and 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.

In January 2021 the Company granted 1,375,000 RSUs with 25% vesting immediately and 25% every 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 \$38,042 in the three months September 30, 2021 (2020 - \$nil) and \$285,414 (2020 - \$nil) in the nine months ended September 30, 2021 as stock-based compensation expense relating to RSUs that vested.

At September 30, 2021 a total of 1,375,000 RSUs were outstanding, of which 687,500 had vested.

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#### (d) Warrants

In January 2021, the Company issued 62,000 warrants in connection with the convertible debentures issued in January 2021 (note 11). 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.

Warrants outstanding and exercisable at September 30, 2021 as follows:

Grant date	Number of warrants	Exercise price (\$)	Expiry Date
May 2020	200,800	0.10	May 2022
December 2020	484,870	0.30	December 2022
January 2021	62,000	0.30	January 2023
	<b>747,670</b>	<b>0.246</b>	

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

	Number of warrants	Weighted average exercise price (\$)
Balance at January 1, 2020	5,500,000	0.17
Issued	19,510,924	0.10
Exercised	(7,156,322)	0.088
Expired	(5,500,000)	0.20
<b>Balance at December 31, 2020</b>	<b>12,354,602</b>	<b>0.20</b>
Issued	62,000	0.30
Exercised	(11,668,932)	0.098
<b>Balance at September 30, 2021</b>	<b>747,670</b>	<b>0.246</b>

See note 20.

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(e) Reserves

	Options and RSUs (\$)	Warrants (\$)	Other reserves (\$)	Cumulative translation (\$)	Total (\$)
Balance, January 1, 2020	1,068,127	235,471	592,513	841,325	2,737,436
Stock-based compensation	400,032	-	-	-	400,032
Fair value of warrants issued	-	240,766	-	-	240,766
Conversion option of convertible debentures	-	-	295,658	-	295,658
Accumulated comprehensive income	-	-	-	(104,073)	(104,073)
<b>Balance at December 31, 2020</b>	<b>1,468,159</b>	<b>476,237</b>	<b>888,171</b>	<b>737,252</b>	<b>3,569,819</b>
Stock-based compensation	760,426	-	-	-	760,426
Conversion option of convertible debentures	-	-	(46,610)	-	(46,610)
Accumulated comprehensive income	-	-	-	(43,944)	(43,944)
<b>Balance at September 30, 2021</b>	<b>2,228,585</b>	<b>476,237</b>	<b>841,561</b>	<b>693,308</b>	<b>4,239,691</b>

### 13. Cost of sales

	Three months ended September 30,		Nine months ended September 30,	
	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
Produce purchases	3,312,374	2,247,929	11,411,881	5,248,732
Materials and transportation	347,747	197,911	1,092,513	466,554
Other	109,143	5,290	303,292	116,638
	<b>3,769,264</b>	<b>2,451,130</b>	<b>12,807,686</b>	<b>5,831,924</b>

### 14. Selling, general and administration expenses

	Three months ended September 30,		Nine months ended September 30,	
	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
Administration and office	430,543	83,140	1,080,970	337,469
Professional fees	116,194	48,418	397,013	167,182
Bad debt expense	2,474	30,538	3,761	30,538
Overhead and operating	9,757	1,154	27,644	3,377
	<b>558,968</b>	<b>163,250</b>	<b>1,509,388</b>	<b>538,566</b>



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### 15. Gain (loss) on settlement of debt

	Three months ended September 30,		Nine months ended September 30,	
	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
Loss on shares for bank loan settlement (note 9)	(715,384)	-	(715,384)	-
Gain on settlement of accounts payable	-	4,735	-	4,735
	<b>(715,384)</b>	<b>4,735</b>	<b>(715,384)</b>	<b>4,735</b>

### 16. Related party transactions

(a) Directors and key management personnel compensation:

	Three months ended September 30,		Nine months ended September 30,	
	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
Salaries, consulting and management fees	217,154	156,503	647,299	422,820
Stock based compensation	85,125	45,786	513,443	151,677
	<b>302,279</b>	<b>202,289</b>	<b>1,160,742</b>	<b>574,497</b>

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended September 30, 2021 and 2020.

(b) Transactions with related parties:

	Three months ended September 30,		Nine months ended September 30,	
	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
Administrative services from companies with common directors or officers	103,061	138,507	311,994	395,128
Product sales to a company with a common officer	15,569	78,502	15,569	119,471
Product purchases from a company with a common officer	225,786	-	588,517	-

(c) Outstanding balances included in accounts payable (receivable):

	September 30,	December 31,
	2021 (\$)	2020 (\$)
Salaries, consulting and management fees	331,081	599,206
Administration services	35,291	149,114
Expense reimbursements	6,742	13,077
Product sales	(24,227)	-

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(d) Loans from directors and key management personnel:

	(\$)
Balance at January 1, 2020	348,827
Loans received	346,922
Loans repaid	(436,115)
Loans settled with convertible debentures	(285,047)
Foreign exchange	25,413
<b>Balance at December 31, 2020</b>	<b>-</b>
<b>Balance at September 30, 2021</b>	<b>-</b>

### 17. Supplemental cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
Changes in non-cash working capital				
Receivables	(609,018)	(424,920)	(418,646)	(782,261)
Inventories	(39,733)	16,828	(33,318)	61,167
Prepaid expenses	(240,535)	(342,404)	(1,057,566)	(243,359)
Accounts payable and accrued liabilities	660,581	388,870	527,898	745,077
	<b>(228,705)</b>	<b>(361,626)</b>	<b>(981,632)</b>	<b>(219,376)</b>

Non-cash investing and financing activities includes the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
Common shares issued:				
as part of Fresh Organic Choice acquisition	-	-	179,495	-
to settle short-term loans payable	-	-	-	60,000
to settle bank loan	1,589,198	-	1,589,198	-
on conversion of debentures	365,000	-	577,000	-
as signing bonuses	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. Two significant customers accounted for 5% and 13% of sales in the three months ended September 30, 2021 (2020 - 21%) and 10% and 4% in the nine months ended September 30, 2021 (2020 - 14%). All of the Company's sales and customers are in Europe.

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Information by geographical areas is as follows:

	September 30, 2021 (\$)	December 31, 2020 (\$)
<b>Non-current assets</b>		
Canada	1,585,389	1,040,582
	<b>1,585,389</b>	<b>1,040,582</b>

### 19. Commitments

At September 30, 2021 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	178,124	-	-	178,124
Administration services	2,209	-	-	2,209
Labour and benefits	109,973	-	-	109,973
	<b>290,306</b>	<b>-</b>	<b>-</b>	<b>290,306</b>

### 20. Subsequent events

#### Exercise of warrants

In October 2021, 8,000 common shares were issued on the exercise of warrants. The Company received \$2,400 in proceeds.

#### Private placement

In November 2021 the Company completed a private placement and issued 18,565,062 common shares for proceeds of \$5,975,000. No finder's fees were paid and the shares issued will be subject to a hold period expiring in March 2022. As part of the private placement, one subscriber was granted a pre-emptive anti-dilutive right to maintain its 5% equity ownership position in the event of future financings by the Company.

#### Convertible debentures

In November 2021 the Company completed a public offering of convertible debentures for gross proceeds of \$8,050,000. The debentures will mature in November 2026 and will accrue interest at the rate of 8.0%, payable annually on November 30th of each year beginning in 2022. The debentures may be converted by the holder into freely tradable common shares at any time after November 30, 2023 at a price of \$0.50 per share. After November 30, 2023, the Company may elect to convert the principal amount of the then outstanding debentures if the daily volume weighted average trading price of the Company's shares on the TSXV is greater than \$0.625 for 20 consecutive trading days. A cash commission of \$483,000 was paid and 966,000 warrants were issued to the underwriters of the offering. Each warrant is exercisable into one common share of the Company at \$0.50 until November 2023.

#### Acquisition of Beeorganic B.V.

In November 2021 the Company acquired 100 per cent of the outstanding shares of Beeorganic BV, a privately held Dutch corporation. Beeorganic is a year-round provider of fresh fair-trade organic bananas with sales in the Netherlands, Belgium and

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France. Organto paid 600,000 euros in cash and, upon acceptance by the TSXV, will issue 1,579,670 common shares of Organto. The common shares issued will be subject to escrow provisions and become freely tradable in equal amounts over three years. In addition, a former owner will be eligible for an earnout of up to 150,000 euros based on pre-established growth targets to be met over a three-year period.

#### Acquisition of the Assets of ZMS B.V.

In November 2021 the Company acquired, subject to acceptance by the TSXV, the operating assets of ZMS BV, a privately held Dutch corporation controlled by Organto's Co-CEO. ZMS is a provider of non-GMO and organic raspberries, snow peas, sugar snaps and fine green beans, sourced from a number of African based growing regions and sold to a variety of customers throughout Europe. Organto will acquire all customer and supplier relationships of ZMS plus trademark applications for the rights to the Awesome Fruits brand for non-GMO branded fruits in the EU and the Rawsome Fruits brand for organic fruits in the EU. As consideration, Organto will issue common shares of Organto worth €400,000 and these common shares will be subject to escrow provisions and become freely tradable in equal amounts over three years.

#### Sale of investment securities

In November 2021 the Company entered into an agreement to privately sell 3,528,727 Xebra shares for proceeds of \$458,735. After this sale, the Company will still own 3,281,278 shares of Xebra.