

ORGANTO FOODS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**For the Six Months Ended
June 30, 2022**

(Stated in Canadian Dollars)

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

	June 30, 2022 (\$)	December 31, 2021 (\$)
Assets		
Current assets		
Cash	8,422,166	11,869,999
Receivables (note 3)	2,571,351	3,161,905
Inventories (note 4)	163,707	316,324
Prepaid expenses	43,374	16,667
Grower advances (note 5)	2,672,835	2,699,216
Derivative assets (note 6)	49,095	-
	13,922,528	18,064,111
Non-current assets		
Long-term grower advances (note 5)	462,509	-
Investment securities (note 7)	261,046	1,051,615
Intangible assets (note 8)	1,012,021	1,086,774
Goodwill (note 8)	747,282	757,439
	16,405,386	20,959,939
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10 and 15)	5,261,558	5,693,632
CEBA loan (note 9)	60,000	60,000
Convertible debentures (note 10)	3,028,276	2,627,670
	8,349,834	8,381,302
Non-current liabilities		
Convertible debentures (note 10)	5,954,140	5,754,727
Deferred income taxes (note 8)	131,500	131,500
	14,435,474	14,267,529
Shareholders' equity		
Share capital (note 11(a))	34,842,972	33,854,516
Shares to be issued (note 11(b))	-	797,770
Reserves (note 11(f))	6,699,186	6,604,958
Deficit	(39,572,246)	(34,564,834)
	1,969,912	6,692,410
	16,405,386	20,959,939

Nature of operations and going concern (note 1)

Commitments (note 18)

Subsequent events (note 19)

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 June 30		Six months ended June 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Sales (note 17)	5,109,949	5,372,162	12,109,813	10,145,224
Cost of sales (note 12)	(4,901,865)	(4,723,175)	(11,231,127)	(9,038,422)
Gross profit	208,084	648,987	878,686	1,106,802
Selling, general and administration expenses (note 13)	(686,075)	(586,515)	(1,407,969)	(950,420)
Management fees (note 15)	(263,127)	(235,077)	(533,773)	(467,545)
Labour costs and benefits	(847,604)	(590,798)	(1,656,829)	(1,152,167)
Stock-based compensation (notes 11(c), 11(d) and 15)	(240,974)	(308,781)	(456,312)	(605,478)
	(1,829,696)	(1,072,184)	(3,176,197)	(2,068,808)
Interest expense and accretion, net (note 10)	(559,744)	(227,512)	(1,148,992)	(443,853)
Other income (note 14)	-	42,035	-	49,035
Unrealized gain (loss) on investment securities (note 7)	(370,972)	93,411	(790,569)	93,411
Realized gain on derivative assets (note 6)	70,467	-	82,039	-
Unrealized gain on revaluation of derivative assets (note 6)	38,809	-	49,719	-
Foreign exchange gain (loss)	(27,489)	8,492	(23,412)	(33,307)
Net loss for the period	(2,678,625)	(1,155,758)	(5,007,412)	(2,403,522)
Other comprehensive income (loss) for the period:				
Foreign currency translation	(155,880)	17,782	(288,584)	(23,359)
Comprehensive loss for the period	(2,834,505)	(1,137,976)	(5,295,996)	2,426,881
Loss per share:				
Basic and diluted	(0.01)	(0.00)	(0.02)	(0.01)
Shares used in computing loss per share:				
Basic and diluted	282,195,634	253,041,531	280,933,742	250,371,538

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

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

	Three months ended June 30		Six months ended June 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Operating activities				
Net loss for the period	(2,678,625)	(1,155,758)	(5,007,412)	(2,403,522)
Add back:				
Items not involving cash (note 16)	1,029,057	401,775	2,157,596	863,977
	(1,649,568)	(753,983)	(2,849,816)	(1,539,545)
Changes in non-cash working capital (note 16)	991,139	(160,724)	53,117	(752,927)
Cash used in operating activities	(658,429)	(914,707)	(2,796,699)	(2,292,472)
Investing activities				
Long-term grower advances	(462,509)	-	(462,509)	-
Interest received	14,440	-	14,440	-
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	(448,069)	-	(448,069)	(160,246)
Financing activities				
Proceeds from convertible debentures, net of issue costs	-	-	-	292,000
Proceeds from exercise of warrants	12,186	30,913	12,186	1,145,420
Proceeds from exercise of stock options	-	55,250	105,000	55,250
Proceeds from sale of investment securities	-	10,292	-	10,292
Repayments of short-term loans	-	-	-	(295,957)
Interest paid	(28,729)	(74,947)	(325,959)	(150,147)
Cash from financing activities	(16,543)	21,508	(208,773)	1,056,861
Effect of foreign exchange on cash	2,402	24,028	5,708	22,633
Decrease in cash	(1,120,639)	(869,171)	(3,447,833)	(1,373,224)
Cash, beginning of period	9,542,805	3,629,677	11,869,999	4,133,730
Cash, end of period	8,422,166	2,760,506	8,422,166	2,760,506

Supplemental cash flow information (note 16)

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

Organto Foods Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the Six Months Ended June 30, 2022 and 2021

(Unaudited - expressed in Canadian Dollars)

	Number of shares	Share capital (\$)	Shares to be issued (cancelled) (\$)	Reserves (\$)	Deficit (\$)	Total (\$)
Balance at January 1, 2021	243,647,951	24,344,434	72,006	3,569,819	(28,224,170)	(237,911)
Shares issued:						
Conversion of debentures	1,623,331	212,000	-	(19,174)	-	192,826
Purchase of Fresh Organic Choice BV	839,570	179,495	-	-	-	179,495
Exercise of warrants	11,643,932	1,145,420	-	-	-	1,145,420
Exercise of stock options	480,000	55,250	-	-	-	55,250
Conversion option of convertible debentures	-	-	-	7,856	-	7,856
Shares cancelled as part of sale of processing plant	(5,873,357)	(440,494)	440,494	-	-	-
Stock-based compensation	2,000,000	512,500	(512,500)	605,478	-	92,978
Comprehensive loss for the period	-	-	-	(23,359)	(2,403,522)	(2,426,881)
Balance at June 30, 2021	254,361,427	26,008,605	-	4,140,620	(30,627,692)	(478,467)
Balance at January 1, 2022	277,386,653	33,854,516	797,770	6,604,958	(34,564,834)	6,692,410
Shares issued:						
Settlement of shares owing for Beeorganic BV	1,579,670	402,816	(402,816)	-	-	-
Settlement of shares owing for ZMS business	1,645,643	394,954	(394,954)	-	-	-
Exercise of warrants	121,860	12,186	-	-	-	12,186
Exercise of stock options	1,500,000	178,500	-	(73,500)	-	105,000
Stock-based compensation	-	-	-	456,312	-	456,312
Comprehensive loss for the period	-	-	-	(288,584)	(5,007,412)	(5,295,996)
Balance at June 30, 2022	282,233,826	34,842,972	-	6,699,186	(39,572,246)	1,969,912

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 Six Months Ended June 30, 2022 and 2021

(Unaudited - expressed in Canadian Dollars)

1. Nature of operations and going concern

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

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

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

These condensed interim consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values of assets and liabilities may be required. The operations of the Company have historically been funded by the issue of share capital, bank loans, short-term loans and convertible loans. At June 30, 2022, the Company had working capital of \$5,572,694 (December 31, 2021 - \$9,682,809) and an accumulated deficit of \$39,572,246 (December 31, 2021 - \$34,564,834). Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing as needed, continued financial support from related parties, and ultimately on generating future profitable operations. The factors described indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for these condensed interim financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

2. Basis of presentation

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

Organto Foods Inc.

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

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on August 24, 2022.

3. Receivables

	June 30, 2022 (\$)	December 31, 2021 (\$)
Trade accounts receivables	2,429,128	2,877,709
VAT recoverable	133,040	153,971
Other	9,183	130,225
	2,571,351	3,161,905

In March 2022 one of the Company's European subsidiaries established a new accounts receivable factoring facility with a European bank to replace its existing facility with a different European bank. The new facility is for €2 million and the Company was required to guarantee the European subsidiary's obligations under the facility.

4. Inventories

	June 30, 2022 (\$)	December 31, 2021 (\$)
Finished goods	163,707	316,324
	163,707	316,324

5. Grower advances

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

	June 30, 2022 (\$)	December 31, 2021 (\$)
Advances expected to be repaid within the next twelve months	2,672,835	2,699,216
Advances with an expected repayment date later than twelve months	462,509	-
	3,135,344	2,699,216

6. Derivative assets

In February 2022 one of the Company's European subsidiaries established a hedging facility with a European financial services company in order to hedge its exposure to fluctuations in the US dollar vs Euro exchange rate. The facility is for forward currency exchange contracts, up to a maximum of US\$4 million. As part of this facility, the Company was required to guarantee the European subsidiary's obligations under the facility.

Organto Foods Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2022 and 2021

(Unaudited - expressed in Canadian Dollars)

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

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

7. Investment securities

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

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

At June 30, 2022 the Company held 3,281,278 common shares of Xebra, of which 2,259,778 are subject to trading restrictions that expire between September 2022 and September 2023. At June 30, 2022 the Company revalued the Xebra shares to a carrying value of \$261,046 represents a discount to their market value of \$295,315 to reflect these trading restrictions and the Company recognized a revaluation loss of \$370,972 and \$790,569 for the three and six month periods ended June 30, 2022. Subsequent to June 30, 2022 the market value of the Xebra shares has fluctuated between \$721,881 and \$180,470.

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

8. Intangible assets

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

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Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended June 30, 2022 and 2021

(Unaudited - expressed in Canadian Dollars)

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

	Intangible assets			Goodwill (\$)
	Trade names (\$)	Customer and supplier lists (\$)	Total (\$)	
Cost				
Balance, January 1, 2022	66,070	1,068,231	1,134,301	757,439
Foreign exchange	-	(15,717)	(15,717)	(10,157)
At June 30, 2022	66,070	1,052,514	1,118,584	747,282
Accumulated amortization				
Balance, January 1, 2022	(12,663)	(34,864)	(47,527)	-
Amortization	(6,607)	(52,921)	(59,528)	-
Foreign exchange	-	492	492	-
At June 30, 2022	(19,270)	(87,293)	(106,564)	-
Net carrying value at June 30, 2022	46,800	965,221	1,012,021	747,282

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

9. 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

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For the Six Months Ended June 30, 2022 and 2021

(Unaudited - expressed in Canadian Dollars)

by December 31, 2023, the loan can be converted into a 3-year term loan at 5% annual interest paid monthly effective January 1, 2024.

10. Convertible debentures

May 2022 series

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

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

December 2022 series

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

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

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

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

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

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

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.

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(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 \$7,856 allocated to the equity component of the debentures. The debt component of the debentures is being accreted to the face value of the loan over the two-year term.

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

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

November 2026 series

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

The debentures are convertible into shares of Organto at \$0.50 per share and interest is not convertible. The holder may convert all or part of the debentures at any time after November 30, 2023. If, at any time after November 30, 2023, the 20-day volume weighted average trading price of the Company's shares on the TSXV exceeds \$0.625, the Company has the right to force conversion of the Debentures. The Company may repay all or a portion of the convertible debentures by issuing common shares worth \$1,053 based on their current market price for each \$1,000 face value of convertible debentures. The Company may also pay all or a portion of the interest payable by issuing common shares to the debenture trustee who shall sell the common shares and use the proceeds to pay the interest due to debenture holders.

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

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

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

Organto Foods Inc.

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

A summary of the convertible debentures is as follows:

	(\$)
Balance at December 31, 2020	2,969,127
Convertible debentures issued for cash	8,360,000
Allocated to equity component	(1,779,180)
Transaction costs allocated to debt component	(966,102)
Accretion	321,089
Converted	(522,537)
Balance at December 31, 2021	8,382,397
Accretion	600,019
Balance at June 30, 2022	8,982,416

Convertible debentures by maturity:

Maturing in less than one year	2,627,670
Maturing in more than one year	5,754,727
Balance at December 31, 2021	8,382,397
Maturing in less than one year	3,028,276
Maturing in more than one year	5,954,140
Balance at June 30, 2022	8,982,416

Accrued interest on all outstanding debentures of \$559,967 is recorded in accounts payable and accrued liabilities at June 30, 2022 (December 31, 2021 - \$336,539).

11. Share capital

(a) Common shares

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

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

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

In March 2021 the Company signed an exclusive supply agreement with a Mexican supplier of organic avocados and in order to obtain exclusive rights, a total of 1,000,000 common shares 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 and no shares have been issued to date.

In November 2021 the Company closed a non-brokered private placement of 18,565,062 common shares for net proceeds of \$5,948,060 after share issue costs of \$29,890. As part of the private placement, in the event of future financings by the Company, one of the participants of the private placement has been granted a pre-emptive anti-dilutive right to participate

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Notes to the Condensed Interim Consolidated Financial Statements

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in such financings to maintain its 5-percent equity ownership position. No finder's fees were paid on the private placement and the shares issued were subject to a hold period which expired in March 2022.

(b) Shares to be issued

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

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

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

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

(c) Share options

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

150,000 share options were granted during the six months ended June 30, 2022. 30,000 of these share options had vested by March 31, 2022 and 30,000 will vest in each of 2023, 2024, 2025 and 2026.

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

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

	Total options		Exercisable options	
	Total options	Weighted average exercise price (\$)	Exercisable options	Weighted average exercise price (\$)
Balance, January 1, 2021	16,325,000	0.125	8,888,500	0.119
Granted	6,700,000	0.345	1,385,000	0.345
Vested	-	-	3,897,250	0.126
Forfeited	(480,000)	0.115	(480,000)	0.115
Expired	(675,000)	0.124	(535,000)	0.11
Balance at December 31, 2021	21,870,000	0.193	13,155,750	0.146
Granted	150,000	0.35	30,000	0.35
Vested	-	-	1,076,000	0.198
Exercised	(1,500,000)	0.07	(1,500,000)	0.07
Expired	(50,000)	0.265	(20,000)	0.265
Balance at June 30, 2022	20,470,000	0.193	12,741,750	0.159

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

Exercise price (\$)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.07	2.47	4,025,000	3,408,750
0.08	1.93	60,000	30,000
0.10	3.16	2,780,000	1,918,000
0.135	1.45	2,665,000	2,270,000
0.15	1.00	600,000	600,000
0.18	0.82	1,745,000	1,745,000
0.265	3.48	1,745,000	860,000
0.285	3.57	700,000	385,000
0.30	4.47	1,975,000	395,000
0.35	4.58	150,000	30,000
0.37	4.41	3,375,000	765,000
0.385	3.97	200,000	80,000
0.42	3.66	300,000	225,000
0.43	4.14	150,000	30,000
	2.94	20,470,000	12,741,750

The Company recognizes stock-based compensation over the vesting period of the underlying options using the Black-Scholes Option Pricing Model for those options with set vesting dates and the Binomial Method for those options which vest based on market conditions. Option pricing methods require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. The fair value of the options granted in the six months ended June 30, 2022 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 114-120%, risk free interest rates of 0.33%-1.46%, expected lives of 5 years and no dividend yield.

The fair value of the options granted during the six months ended June 30, 2022 was \$15,900 (2021 - \$267,600) and the Company recognized \$386,343 (2021 - \$358,106) as stock-based compensation expense relating to options that vested.

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(d) Restricted share units

In January 2021 the Company adopted a restricted share unit ("RSU") plan to issue RSUs whereby the total aggregate RSUs and share options outstanding may be up to 10% of its issued capital at the time of an applicable option grant. Under the RSU plan, the Company 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.

No RSUs were granted in the three and six month periods ended June 30, 2022. The Company recorded \$69,969 (2021 - \$247,372) in the six months ended June 30, 2022 as stock-based compensation expense relating to RSUs that vested.

At June 30, 2022 a total of 2,475,000 RSUs were outstanding, of which 881,250 had vested. No vested RSUs were paid in the six months ended June 30, 2022.

(e) Warrants

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

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

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

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

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

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

Grant date	Number of warrants	Exercise price (\$)	Expiry Date
December 2020	476,870	0.30	December 2022
January 2021	62,000	0.30	January 2023
November 2021	966,000	0.50	November 2023
	1,504,870	0.43	

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

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

(f) Reserves

	Options and RSUs (\$)	Warrants (\$)	Other reserves (\$)	Cumulative translation (\$)	Total (\$)
Balance, January 1, 2021	1,468,159	476,237	888,171	737,252	3,569,819
Stock-based compensation	1,320,909	-	-	-	1,320,909
Issue of convertible debentures	-	-	1,511,766	-	1,511,766
Fair value of warrants issued	-	258,888	-	-	258,888
Accumulated comprehensive loss	-	-	-	(56,424)	(56,424)
Balance at December 31, 2021	2,789,068	735,125	2,399,937	680,828	6,604,958
Stock-based compensation	456,312	-	-	-	456,312
Exercise of stock options	(73,500)	-	-	-	(73,500)
Accumulated comprehensive loss	-	-	-	(288,584)	(288,584)
Balance at June 30, 2022	3,171,880	735,125	2,399,937	392,244	6,699,186

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12. Cost of sales

	Three months ended June 30		Six months ended June 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Produce purchases	4,260,406	4,163,372	9,881,933	8,099,507
Freight	398,911	218,433	756,810	403,331
Packaging and other	242,548	341,370	592,384	535,584
	4,901,865	4,723,175	11,231,127	9,038,422

13. Selling, general and administration expenses

	Three months ended June 30		Six months ended June 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Administration and office	412,222	368,252	843,854	650,427
Professional fees	236,089	199,089	496,456	280,819
Bad debt expense	8,131	1,287	8,131	1,287
Amortization (note 8)	29,633	17,887	59,528	17,887
	686,075	586,515	1,407,969	950,420

14. Other income

	Three months ended June 30		Six months ended June 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Financing fee received	-	-	-	7,000
Sale of Xebra ROFR (note 7)	-	34,000	-	34,000
Insurance claim	-	8,035	-	8,035
	-	42,035	-	49,035

15. Related party transactions

(a) Directors and key management personnel compensation:

	Three months ended June 30		Six months ended June 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Salaries, consulting and management fees	262,864	216,706	532,981	430,145
Stock based compensation	199,137	204,096	338,712	428,318
	462,001	420,802	871,693	858,463

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

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(b) Transactions with related parties:

	Three months ended June 30		Six months ended June 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Administrative services	133,208	169,177	257,580	208,933
Produce purchases	182,408	160,579	206,241	362,732

(c) Outstanding balances payable (receivable):

	June 30, 2022 (\$)	December 31, 2021 (\$)
Salaries, consulting and management fees	218,524	277,860
Interest on convertible debentures	27,929	44,297
Administration services	33,264	-
Expense reimbursements (advances)	(2,275)	6,941
Advances to suppliers	321,698	-
Product sales	-	(283,616)

16. Supplemental cash flow information

	Three months ended June 30		Six months ended June 30	
	2022 (\$)	2021 (\$)	2022 (\$)	2021 (\$)
Items not involving cash:				
Amortization	29,633	17,887	59,528	17,887
Bad debt expense	8,131	1,287	8,131	1,287
Stock-based compensation	240,974	308,781	456,312	605,478
Interest expense and accretion	559,744	227,512	1,148,992	443,853
Foreign currency translation	(141,588)	(26,281)	(256,217)	(77,117)
Other income	-	(34,000)	-	(34,000)
Unrealized loss (gain) on revaluation of investment securities	370,972	(93,411)	790,569	(93,411)
Unrealized gain on revaluation of derivative assets	(38,809)	-	(49,719)	-
	1,029,057	401,775	2,157,596	863,977
Changes in non-cash working capital:				
Receivables	418,383	236,391	582,423	190,372
Inventories	120,123	(1,931)	152,617	6,415
Grower advances	26,381	(335,660)	26,381	(770,840)
Prepaid expenses	16,852	38,409	(26,707)	(46,191)
Accounts payable and accrued liabilities	409,400	(97,933)	(681,597)	(132,683)
	991,139	(160,724)	53,117	(752,927)

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	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
	(\$)	(\$)	(\$)	(\$)
Non-cash investing and financing activities includes the following:				
Common shares issued:				
as part of Fresh Organic Choice acquisition	-	-	-	179,495
as part of Beeorganic acquisition	-	-	402,816	-
as part of ZMS business acquisition	-	-	394,954	-
on conversion of debentures	-	212,000	-	212,000
as signing bonus	-	512,500	-	512,500
Common shares cancelled:				
as part of the sale of the processing plant in Guatemala	-	-	-	(440,494)

17. Segmented information

The Company has one reportable business segment, being the sourcing, processing, packaging, distribution and marketing of organic and specialty food products. In the six months ended June 30, 2022 29% of the Company's sales were to 4 customers with each customer accounting for at least 5% of total sales. In the six months ended June 30, 2021 18% of sales were to 2 customers with each customer accounting for at least 5% of total sales. One of these largest customers by sales volume in the six months ended June 30, 2022 was also a top sales volume customer in the six months ended June 30, 2021.

Information by geographical areas is as follows:

	June 30, 2022	December 31, 2021
	(\$)	(\$)
Non-current assets		
Canada	261,046	1,051,615
Netherlands	2,221,812	1,844,213
	2,482,858	2,895,828

18. Commitments

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

	Within 1 year	Between 1 and 5 years	After 5 years	Total
	(\$)	(\$)	(\$)	(\$)
Management fees	230,576	-	-	230,576
Administration services	2,021	-	-	2,021
Labour and benefits	254,710	167,748	-	422,457
Forward currency exchange contracts	1,976,095	-	-	1,976,095
	2,463,402	167,748	-	2,631,149

The Company has a hedging facility with a European financial services company in order to hedge its exposure to fluctuations in the US dollar vs Euro exchange rate. The facility is for forward exchange contracts, up to a maximum of US\$4 million. As part of this facility, the Company was required to guarantee the European subsidiary's obligations under the facility.

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19. Subsequent events

Guatemala legal claim

In 2021, the Company received notice of a potential claim that was never served against its subsidiary in Guatemala for events that took place in 2018. The Company accrued \$188,874 (US \$150,000) in 2021 to provide for resolution of the potential claim including costs. The Company paid US\$125,000 to settle this claim in July 2022.